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The Federal Trade Commission Looks at Collection Practices

Sherman R. Hill

***Chief Project Attorney,* Bureau of Investigation**
Federal Trade Commission, Washington, D. C.

TWO OF THE most vexatious problems that continually confront the credit manager are locating debtors who have moved without notification of that fact and the collection of accounts from recalcitrant debtors without formal legal process, particularly where the amount involved does not warrant institution of suit.

Certainly no one should be overly sympathetic with people who have contracted just obligations but who either "skip" or refuse, without proper justification, to pay those debts. However, it is now clearly established that there are certain limitations on the practices that creditors may adopt in locating debtors and in inducing them to pay their debts without legal process.

One principal source of these limitations is found in Section 5 of the Federal Trade Commission Act as applied by the Commission and the courts. Section 5, in substance, empowers and directs the Federal Trade Commission to prohibit "unfair or deceptive acts or practices in commerce" when it shall appear to the Commission to be in the public interest to do so. This statutory language has been held sufficiently broad and elastic to embrace generally all acts and practices of an unfair or deceptive character used in interstate commerce.

That the acts or practices may be adopted or used in pursuance of proper purpose is not necessarily sufficient to exempt them from the application of the law. As was stated by the Supreme Court in another but applicable context, industry conduct which transgresses the law cannot "justify itself by pointing to evils afflicting the industry or to a laudable purpose to remove them." And "The end does not justify illegal means. The endeavor to put a stop to illicit practices must not itself become illicit." (Chief Justice Hughes in Sugar Institute, Inc., v. U. S., 297 U. S. 553, 599.)

While creditors are free to employ all proper means to secure payment of debts and to combat the morally reprehensible practice of "skipping," they are not legally free to employ methods that are themselves unfair or deceptive. This represents no anomaly in the law, for we find even the most sacred rights guaranteed by the Constitution are subject to qualification. The guarantee of freedom of speech is not a license to slander or libel; freedom of the press must respect the right of privacy.

The decisions of the Commission and the courts in dealing with these problems furnish substantial guides to credit managers in determining what tracing and collection methods may legally be used. When the use of tracing or collection methods has been attacked, they have been challenged on the ground that they are unfair as involving substantial deception or misrepresentation. Although both skip tracing and collection methods have been questioned in Commission proceedings, sometimes in the same case they are sufficiently dissimilar to warrant separate consideration and discussion.

Skip tracing, as the name implies, is simply a means of seeking to locate the current address and place of employment of a debtor. The device, as it has typically come before the Commission, involves the use of a double post card. One part is addressed to the debtor and contains the message of inducement. The other part contains space for entering information concerning the address, employer, and bank reference of the debtor and is designed to be detached and forwarded to the creditor or his agent.

Although there is considerable variation in detail of the schemes used, the basic nature is the same: they either disguise the purpose for which the information is desired or hold out an inducement to the debtor to furnish information which is not in his individual interest to supply and which normally he would not voluntarily furnish. The inducement is of two basic types. One is contrived to lead the recipient to believe that the communication came from the United States Government. This involves the use of trade names containing the words "Federal," "National," or "Bureau," and provides for the dispatch from and return of the cards to Washington, D. C., addresses. The other basic type holds out to the recipient debtor the expectation of financial reward. In this category come the "missing heir," "package forwarding" type schemes. That such devices have been effective in the past is indicated by the number of such cases that have been before the Commission.

The first Commission case involving a skip-tracing device was decided in 1943. Eleven more cases of the same type were decided that year. In the first case (United Inheritance Bureau, Inc., Docket 4874) the collection agent proceeded against was engaged in selling form letters and envelopes to be used in obtaining information for the collection of debts. The forms and envelopes were provided to customers, usually retail stores, who inserted names and addresses of debtors, along with the code number of the customer. These materials were returned to the agent, who mailed them bearing his own return address and the trade name "United Inheritance Bureau." The form letter, seeking the debtor's current address, place of employment, etc., advised him that the collection agency (Inheritance Bureau) was engaged in genealogical research and in locating heirs to estates, and that the information sought was for use in advising the debtor as to ownership in

Any opinions expressed are the personal opinions of the author and do not necessarily reflect the opinions of the Commission.

assets of which he was unaware. The Commission found that the sole purpose of the questionnaire letter was to secure information concerning debtors in aid of collecting alleged delinquent accounts. Use of the title "United Inheritance Bureau," as well as the misleading and deceptive statements in the form letters, was prohibited. The Commission concluded that the proscribed practices caused persons to give information which they would not otherwise have given; that these practices were prejudicial to the public; and that they constituted unfair and deceptive acts and practices under the Federal Trade Commission Act.

Other trade names and practices condemned by the Commission include "Bureau of Records of Employment" with Washington, D. C., address as signifying official connection with the U. S. Government (Docket 4810, also Docket 4829); "Terminal Messenger Service" and statement package is being held for delivery (Docket 4897, Docket 4867 and Docket 4846); "National Administrators," indicating administrator of estate is holding funds for delivery (Docket 4870); "International Trustees," trustee of estate seeking one entitled to receive trust funds (Docket 4863); use of word "Survey" in title of collection agency, with form letters or cards indicating that survey is being taken to determine debtor's brand preference in cigarettes (Docket 4935).

In some cases, the Commission not only issued its order against the collection agency which originated and supplied the cards or forms, but also proceeded against the clients (usually mail order houses) who used the cards and forms as a part of their collection systems (Docket 4870 and Docket 4863).

First Skip-Tracer Case

The first of the skip-tracer cases to reach the courts involved an individual who provided post cards designed for use by creditors and collection agencies in obtaining information concerning debtors. The originator of the cards described his business in advertisements to prospective customers as "Locations by Subterfuge," "a new and unique method of locating 'skips' " by "a cleverly planned means of reaching these 'debt-evaders' in so subtle a manner that they do not know they are being traced." The cards used in obtaining desired information concerning name and address of employer of the debtor were distributed under the trade names "General Forwarding Company" or "Commercial Pen Company." The former bore false representations that a package was being held for delivery; the latter, that a "pen" would be provided free as an introductory offer. The Commission prohibited not only use of the false representations, but use of the trade names as well on the basis of their creating a false impression respecting the nature of business being conducted. In affirming the Commission's order, the U. S. Circuit Court of Appeals for the Ninth Circuit (San Francisco) offered the following comment:

> Petitioner's scheme is a cheap swindle and the argument that it is less so because it may in certain cases trap swindling debtors is not one pleasing to entertain.
>
> Nor is there any support for petitioner's contention that it is not a matter of the Commission's concern because the swindled person suffers no pecuniary damage. . . .
>
> Nor is there any merit in petitioner's contention that it is not in the public interest to prevent the perversion of interstate commerce with such swindling. . . . (Silverman v. FTC, 145 F. [2d] 751.)

In another case where the Commission had prohibited use of the trade name "The National Service Bureau" in conjunction with a Washington, D. C., address for a skip-tracer operation, as implying government connection, the Court of Appeals for the District of Columbia in affirming the order noted that the concern in question advertised that "Washington, D. C., the nation's capital" is "the psychological city from which to send skip-tracer mail." This operator mailed the debtors a check for ten cents, after informing them that he would forward them "a check for a small sum of money deposited with us for you." The Court agreed with the Commission's finding that, in the context of "deposited" and "a check," ten cents is not a "sum of money" or even "a small sum of money," and that in this context "a small sum of money" would mean at least a substantial number of dollars. The Court further stated:

> The fraudulent nature of petitioners' scheme is not only plain on its face but proved by its results. Letters in the record show directly that some debtors are deceived. Even more important, petitioners send out about 2,100 letters a week and get about 700 replies, all from debtors who had failed to reply to letters from their creditors. It would be fantastic to suggest that one delinquent and previously unresponsive debtor out of three would reply if he thought he was furnishing information to his creditors for a net return, if any, of less than ten cents. There can be no reasonable doubt, and petitioners plainly do not doubt, that if they used the words 'ten cents' they would get few replies. Their letter succeeds in conveying the false impression it must convey in order to achieve its purpose. (Bennett v. FTC, 200 F. [2d] 362.)

In one case where it appeared that no lesser remedy would suffice to prevent deception as to the nature of business being conducted by a skip tracer, he was required by Commission order to disclose on his stationery that he was operating a "Collection Service" (Docket 5853). This same order prohibited use of terms such as "Manpower Classification Bureau" and "American Deposit System" or claims that employment information is being sought, or that a package is being held for delivery, in connection with obtaining credit information or collecting debts. This order was affirmed by the Court of Appeals for the Seventh Circuit (Rothschild v. FTC 200 F. [2d] 39).

In response to a contention that the statements made on the post cards and in the form letters were factually

What Do You Think?

EACH YEAR we assemble the thinking of the leaders in the retail credit field concerning the most important credit problems confronting us in the year ahead. The comments of credit executives, credit bureau managers, and top management have come to be regarded as most helpful in assisting retail credit sales managers to chart their course in the new year. We invite you to contribute your thoughts to this symposium. Send your comments to the National Office. Replies will appear in the January and February, 1956, issues of The CREDIT WORLD.

true, the Court stated: "Words and sentences may be literally and technically true, and yet be framed in such a setting as to mislead or deceive. . . . The petitioner intended the recipients of the cards and letters sold by him to draw inferences therefrom not based on fact. The information was requested not to enable petitioner to mail a package to debtor, but rather to entrap him. The Commission acted within its powers in requiring that if petitioner used the cards and letters in the operation of his business, same be worded and phrased so as not to be misleading and deceptive." The Court further stated: "The fact that acts and methods deemed deceptive are used to trap delinquent debtors does not prevent such acts and methods from being against the public interest. Some of the debtors may have had a justifiable reason for not promptly paying their obligations. . . ."

Another case which went to the Court of Appeals (Second Circuit) in 1952, involved a Commission order against use of the trade names "Personnel Management Bureau" and "Service Company" along with statements indicating that information was being sought for an employment bureau, or for purposes of delivering a package, by a retail clothing chain (Dejay Stores, Inc. v. FTC, 200 F. [2d] 865). The petitioner contended that everything in the letter seeking information was true, in stating that an important personal letter would be forwarded to the delinquent. The Court said the fact that there was no actual evidence that anyone was likely to be deceived did not impair the Commission's finding that the letter was misleading. The Court added that the petitioner intended the letter to be deceptive, and that as used it obviously was so. The Court further confirmed the Commission's conclusion that it is in the public interest to require that creditors not use dishonest methods in collecting their debts.

The question of whether the skip tracer was engaged in commerce and, hence, subject to the jurisdiction of the Commission was passed on by the U. S. Court of Appeals for the Ninth Circuit in affirming a Commission order which prohibited use of the trade name "Business Research" as constituting a representation that the skip tracer was conducting some form of research. The petitioner did not challenge the order on any basis other than to assert that he was not engaged in interstate commerce. The Court affirmed the Commission's finding of engagement in commerce on the following bases: (1) that petitioner received contracts of assignment of debts, from customers located outside his home state, through the U. S. mails; (2) that petitioner contacted the debtors by mail, across state lines, and received payments from them through the mail, across state lines; and (3) that he transmitted the proceeds, less commissions, to his customers located outside his home state, by mail. Thus, use of interstate channels of communication in promoting and carrying out the deceptive collections scheme was held sufficient to bring the matter within the Commission's jurisdiction (Bernstein v. FTC, 200 F. [2d] 404).

The use of collection practices, apart from skip-tracing methods, has received the attention of the Commission in numerous instances. Again, it should be emphasized, where such methods have been challenged they have been challenged on the ground that they involve substantial misrepresentation or deception. While no attempt is made to refer to all of the decided cases relating to questioned collection practices, reference to typical cases may be of informational value to those dealing with collection problems.

Common types of practices in this field which have been prohibited by the Commission involve the use of false representations that accounts have been sold to independent finance companies as innocent purchasers for value, or that accounts have been turned over to collection agencies or attorneys for collection.

The earliest case in this field involved false representations that promissory notes had been sold to an innocent purchaser for value. In that case a wholesaler of pianos was found to be selling his product to retailers through the use of false statements of quality and misrepresenting the nature and terms of the transaction. The notes obtained from the retailers were immediately transferred to another individual, whose office was on the same floor of the same building as that of the wholesaler, under pretense of sale for valuable consideration and without notice of any defenses. The Commission attributed notice of defenses to the transferee of the notes, and held that it was an unfair trade practice for the wholesaler to advise his customers, when they sought to cancel their contracts on the ground of misrepresentation, that the notes were now held by an innocent purchaser for value (Docket 277, 12-30-20).

The 1935 Paint Case

A slight variation of the same practice occurred in a 1935 case where the Commission found that a seller of paint was acting in collusion with a finance company, by transferring trade acceptances to it, in an attempt to permit the latter to bring suits for collection asserting that it was an innocent purchaser for value. The selling company, it was found, thus sought to avoid the defense of fraud which would have been available against it (Docket 2157).

A Commission order in another case prohibiting claims that notes had been turned over to an innocent purchaser for value, when such was not a fact, received court affirmance in 1940. In rejecting the argument that the "discount company" was a separate and bona fide purchaser of the notes, the U. S. Circuit Court of Appeals for the Seventh Circuit stated:

. . . both corporations had their office in the same room, with merely an aisle separating their desks. Petitioner . . .

was President of both corporations and owned practically all of the stock in each. . . . No doubt . . . the true purpose of . . . (the discount company) was to forestall a claim made by a customer who had been a victim of the fraudulent sales plan, by pleading itself an innocent purchaser for value. . . . (International Art Co. v. FTC, 109 F. [2d] 393.)

False claims that notes had been turned over to innocent purchasers for value were prohibited by the Commission in numerous other cases over the years.

In a case decided in 1925 the Commission prohibited use of fictitious collection agency name, and false claims that an account had been placed in the hands of a collection agency, by a company engaged in the sale of poultry and livestock medicines. Its customers consisted of small-town retailers, who were initially misled by contracts indicating that the merchandise was merely being placed in their stores on consignment. Subsequently payment in full was demanded, and the deceptive collection scheme was used to enforce payment. The collection scheme, along with use of the deceptive contracts, was proscribed by the Commission (Docket 1206).

A case decided in 1945 similarly involved the use of threats of legal action and demand letters purporting to be from a collection agency to coerce consignees to accept and pay for merchandise which had not been ordered or shipped under an agreement to purchase (Docket 3812).

In a slightly different type of case, decided in 1932, a concern engaged in the sale of encyclopedias used the names of attorneys without their permission, and the names of fictitious collection agencies, and used documents simulating summonses, for coercing subscribers into paying money on contracts that had been obtained by fraudulent and misleading representations. This concern also sent letters to delinquent subscribers on the letterhead of the fictitious collection agency stating that the claim had been sold to the collection agency and threatening that if payment was not immediately made the claim would be advertised for sale in the customer's home-town newspaper. The Commission prohibited use of these collection methods on the basis that they were intended to threaten, coerce, and frighten customers into paying accounts obtained through misrepresentation, and that such practices were unfair to the customers (Docket 1371).

In a 1944 case, the Commission found that similar use of a fictitious collection agency name, in connection with a correspondence course in art training, was for the purpose of intimidating purcha. rs and compelling them to pay for a course which had been sold in the first instance through misrepresentation (Docket 4914).

While the cases decided by the Commission may not have covered all situations that have been or can be in the future contrived by the cunning of man to entrap "skips" or to coerce collections, they do lay down the basic criteria for determining their legality under Section 5 of the Federal Trade Commission Act. Any such method or device that involves substantial misrepresentation or deception is an unfair practice within the application of that law and is subject to all the r medial processes therein provided. ★★★

Columbia Credit Managers Association, Columbia, South Carolina
Lecture to High School Students on:
The Value of Credit

MEMBERS of the Columbia Credit Managers' Association, Columbia, South Carolina, have lectured to all the high school senior classes recently in Richland and Lexington Counties on "The Value of Credit." This was a series of lectures given by volunteers from the membership of the Columbia Credit Managers' Association. Those participating were as follows:

John A. Broom, Jr., general manager, Cate-McLaurin Company; Harry W. Campbell, executive secretary, Columbia Credit Managers' Association and manager, Credit Bureau of Columbia; H. M. G. Walker, credit manager, Esso Standard Oil Company; Charles W. Fetner, treasurer of the Association and credit manager, Sherwin-Williams Paint Company; W. Hazel Turner, credit manager, Mutual Motors, Inc.; H. W. Inabinet, Jr., credit manager, Caughman Feed and Seed Company; Aubrey Sanders, office manager, Auto Finance Company; Mrs. Corrinne Smith, credit manager, Efirds Department Store; W. L. Morris, Jr., credit manager, Industrial Finance; Mrs. Eva Bates, credit manager, Binswanger Co.; Mrs. Elizabeth Boozer, credit manager, Hancock Buick Co.; B. Louis Youmans, manager, North Columbia Branch of the First National Bank; R. H. Brannon, budget manager, Cate-McLaurin Co.; U. M. Toms, credit manager, Stuckey Lumber Co.; J. M. Gibson, credit manager, Edisto Farms Dairy; and Joe E. Estes, former assistant credit manager of the Columbia Credit Bureau.

Lecture Replacement For Class Period

These lectures were given replacing one class period or from 30 to 50 minutes, after which time students were allowed to ask questions. Following is the text of the lecture:

What are you going to do when you graduate from high school next spring? I believe, in fact I am quite sure, that you will go one of four ways. You may go to college; you may go to a business college; you may go to work; or you may even get married. Regardless of which one of these predictions comes true, you will need to know something about the establishment, the use, and the maintenance of credit. Your business life depends on the foundations you build for your credit record.

The United States, in which we live, is the greatest country in the world. This greatness, in my estimation, is due to six specific reasons, all of which are independent.

First of all, we have the greatest and the largest supply of natural resources in the world.

Second, we have the greatest and most alert scientists and engineers with manufacturing plants staffed by men and women with the "know-how" of production.

Third, we have the greatest advertising program of any nation in the world. This program stimulates the wants of the buying public.

Fourth, we have the greatest team of enthusiastic salesmen with the best training and selling tools known to man, selling the best products in the world.

Fifth, our transportation system—waterways, railroads, highways, and air—is second to none in the world, transporting the millions of tons of products sold by our selling organization.

Sixth, and really the most important in our economic system, is credit—credit of all types used by us luxurious-living Americans. All the five great American *firsts* I have named would go amiss without the extensive use of credit.

Because credit, as we know it today, is so new and so few people realize the importance of credit and our standard of living, we in the Retail Credit Managers' Association feel that we have a message of real importance to high school seniors. You are at the age and stage of life where you are coming in closer and more frequent contact with credit. We would like to give you a few pointers as to the meaning of credit, the importance of a good credit record to you, what comprises a good credit record, how to maintain a good credit record, how this record is kept, and the ultimate value of this record.

The word "credit" is derived from the Latin word *credere* which means "to believe, or trust." Credit, therefore, has been defined as "belief in the truth of a statement" or in the sincerity of a person, or "credit means man's confidence in man." In business transactions, credit means confidence that men will take care of their future obligations. Businessmen speak of credit standings to indicate the degree of confidence in which a man is held.

"Credit is the lifeblood of commerce" and "Credit is the heart and core of modern business structure," are statements frequently heard among economists. There would not be enough money in the world to carry on ordinary business transactions. It is estimated that 50 to 60 per cent of retail trade and more than 90 per cent of the wholesale trade of the United States are settled by check, drafts, and other credit instruments.

Did you realize that the whole machinery of banking, including the currency used as money, is various forms of credit instruments? For instance, if you will look on the face of a dollar bill you can read, "This certifies that there is on deposit in the treasury of the United States of America . . ."

What is Behind a Personal Check?

When a personal check is given in payment for merchandise, services, or settlement of a bill, the maker certifies that he has money in his account at the bank to pay the amount of the check. He merely orders the bank to pay the stated amount to the payee or the person to whom he endorses check from the maker's account on deposit.

In other words, all credit instruments—whether they be United States currency, government checks, personal checks, promissory notes, bank drafts, trade acceptances or letters of credit—are based on a promise to pay at

some future date. In order for us to maintain our high standard of living and world-wide commerce, we must keep all promises we make. No matter what amount we promise to pay, a penny or a thousand dollars, when we fail in our promise we are depriving our creditors of money rightfully due them.

Now, credit, as most of us know it today, is a relatively new thing with us. Just what is credit? There are really three essentials of credit—what we call the 3 C's of credit—Capital, Capacity and Character.

Let me explain briefly the meaning of these first two. By capital we mean the ownership of property, the backing of the ability to pay. It is what a person owns in the way of real estate, automobiles, bonds, stock, bank accounts, and insurance.

Now, suppose a person has very little capital but he has a job which gives him the capacity to pay accounts when due. His income gives him the capacity to make weekly or monthly installment payments on his house, car, refrigerator, television, and many other products he buys on the installment plan. Or, he may have a 30-day open account which must be paid each month. His income from his work is so budgeted that he has capacity to buy on credit and pay his accounts monthly or as agreed.

This brings us to the third "C," Character. In my opinion this is the most important of the three "C's." This is the one big reason why one often hears the statement "Good credit cannot be bought," or "A good credit record is worth more than cash."

What is character? I once heard that "a person's reputation is what everyone *thinks* of him," while his character "is what he really is." A man with a good reputation is "A good neighbor," "A good sport," "A good church worker," "A super salesman," etc.

Every living person has both reputation and character. Character is that unseen something, that trait which lives with us day and night, day in and day out, throughout our lives. A strong character is that inner soul of a man which leads him down the path of the straight and honorable, or if a person is weak in character, it permits him to stray to the undesirable, the dishonorable, the unaccepted social ways of life. A person's character guides his destinies. He may improve his character from day to day by doing things which make for good living; or he may degrade his character by doing these things he should not have done or not doing those things which he should have done.

What connection, you will ask, does character have to do with credit? I once knew a man who was a pillar in the church and had the finest reputation in the community. He seemed to be a devout person, yet this man bought merchandise five years ago from a company on credit. He owed $28.00 which was due on the tenth of the month following date of purchase, but to this date he has not paid any part of this account which has long ago been charged to profit and loss (bad debts). Naturally, there is an entry on the credit record of the man in the files of the local Credit Bureau. This man drives a fine automobile, is buying a fine home in a better section of this city, attends all football games, and generally spends money freely, yet he does not have enough character to pay a $28.00 bill so long past due.

On the other hand, I know of a particularly good credit account with a person who works for a small weekly wage. He buys every need he can fill from a certain store on credit, and has done so for the last 15 years. This person has real honest-to-goodness character, is a lover of his church, a good neighbor, a good husband and father, and in 15 years his purchases have amounted to hundreds of dollars and in this time he has never missed a weekly payment. Of course, every business organization which operates a credit department has many accounts such as this good one. They also have bad ones who will not pay. Credit is so important to us that we can attribute much of our high standard of living to it.

How many of us will ever accumulate enough money to pay *cash* for our home, automobile, our refrigerator, our automatic washer, our TV, our furniture, and so on down the list of so many items which have raised our standard of living from the horse-and-buggy days, the

• Lecturers shown here, left to right, standing, are: W. H. Inabinat, Jr.; J. M. Gibson; W. L. Morris, Jr.; H. M. G. Walker; Aubrey Sanders; W. H. Turner; and U. M. Toms. Seated, left to right, are: R. H. Brannon; J. A. Broom, Jr.; Mrs. Eva Bates; Harry W. Campbell; Elizabeth Boozer; Mrs. Corrinne Smith; and Charles W. Fetner.

age of coal- or wood-fired cookstoves and space heaters, kerosene lamps and dusty roads? Can you imagine where we would be without credit! You students will need credit when you are thrown out into the world to make your own way, make your homes, rear your children, and do your bit to improve civilization and the world.

The next few moments of my talk will give you the businessman's advice on your personal conduct of business. There are several types of credit accounts. Let me enumerate them for you. You will, no doubt, use some or all types sooner or later.

First, the 30-day open account on which you may buy merchandise or services, merely by affixing your signature on the invoice. This account is due on the 10th of the month following the date of purchase. Example: Merchandise purchased in August would be due September 10 in most cases.

What Is Cycle Billing?

Some open accounts are billed on what we call cycle billing. This type of billing is used by many large stores. On the company's accounts receivable ledger, so many customers' statements are mailed each day of the month. Your statement will indicate the billing date each month, probably the same date each month. This account will usually be due within 15 days after the billing date.

The third type of account is that of installment credit. If you wanted to buy an automobile, for instance, you would go to the dealer and make a deal with the salesman; you would choose the car you wanted; you would agree on the price you were to pay; then, you would agree on the down payment. After making the down payment, the salesman would figure terms for you; add service and handling charges, and finally tell you how much you were to pay each month. You would also sign a conditional sales agreement. During the time you are paying on this account, and until the final payment is made, the title to the car would be owned or held by the finance company or the bank and if at any time during the term of contract you failed to make payment on or before the due date, the finance company could repossess the car and you would lose all the money you had paid on it. Not until every penny is paid can you call the car yours. You have often heard people say, "Yes, I own that car along with the finance company." The car would be yours only as long as you continued to make payments on or before due dates.

Every installment credit account is set up for payments to come due on a certain date of the month, a certain day of the week, or possibly each two weeks on certain days. There are always definite dates for payments! I have given an example of buying a car on the installment plan. Other items which are commonly sold on the same plan are: homes, farms, refrigerators, ranges, washers, other kitchen equipment, freezers, tires, batteries, clothing, jewelry, watches, outboard motors, and so on. In other words, practically everything is sold on installments at the present time. You can even buy vacation trips by air on credit.

If and when you make a purchase on the installment plan,. be sure you make your payments on or before the due date. If, for some logical and sufficient reason—such as sickness, hospitalization, unemployment, etc.—you are unable to pay on time, you should call, write, or go by and let the credit manager know you will be late. Generally speaking, a sincere excuse or reason, along with proper notification to the creditor, will be accepted and your credit record will not be damaged. If you stay away or try to "beat" the bill, you will receive past-due notices in the mail, telephone calls asking for payment, and finally a personal call by the collector, and the account is recorded against your credit bureau record. If you still refuse to pay, then the merchandise will be repossessed and your credit is marred by such.

What about your credit record? We have the Credit Bureau of Columbia which serves us as a clearinghouse for credit information and credit records. Business firms who use the service of the Credit Bureau phone and ask for reports on individuals to whom they wish to sell merchandise. Here are two reports taken from the files of the Credit Bureau, one good and the other adverse.

Notice the difference in the two reports! The same income, same family, same work, yet one had a good record, the other, the poorest one could imagine. One had character, while the other had no character. The past record was the basis for credit granting. One possible customer got the merchandise, the other went away embarrassed and with hands empty. Such is the story in case after case. Some are good, some are bad.

This latter man can never clear his record completely. He had repossessions on his record that can never be cleared. His profit-and-loss accounts will remain as part of his permanent record until paid in full. He can probably obtain credit again and be able to start anew if he pays his profit-and-loss accounts.

I have mentioned profit-and-loss accounts several times during this lecture and you may be wondering what that expression means. It simply means that an individual has purchased merchandise or services on credit, and could not, or would not, pay his account. Consequently, the merchant has charged this account to bad debts as uncollectible and he no longer carries this as an accounts receivable. This charge-off to profit and loss is reported to the Credit Bureau where it is retained as a permanent record. This is the worst type of dealing you can have with a merchant.

Age Limit on Credit Buying

You will be interested in knowing what age limit exists on credit buying. Generally speaking, you must be at least 21 years of age to open a credit account. The reason for this is that you are not responsible for your own debts until you become an adult, which the law says is 21. Your parents are responsible for your obligations only for the necessities of life, and if a merchant sells merchandise to you on credit while you are still a minor (not of age), then he does so at his own risk.

No doubt you are wondering how you can establish credit where you have never purchased anything on credit. Probably the merchant would check your father and mother's credit record at the Credit Bureau, ask your neighbors what kind of reputation you have, and any other source of information available.

I said that the first application for credit which you make is dependent to a great extent on the credit record of your parents. Perhaps it would be a good idea for

you to go home and ask some point-blank question: "Dad, or Mother, how is your credit?" "Do you pay all your bills on time?" "Do you have any profit-and-loss accounts on your credit record?"

If the credit record of your parents is good, then your way will be made much easier when you want to open your first charge account. However, when you get approval on that first account, it is up to you from that time on, for you will not have anyone else upon whom you can lean. You will not have anyone who can accept the credit for your good record, nor anyone who can be blamed for a poor record except yourself.

As early as you are able to establish a savings or checking account, these speak well of you. If all this information is favorable, then you would probably be granted credit in a reasonable amount. If unfavorable, then the merchant would refuse to sell to you.

In spite of all the advantages of buying on credit, there are some disadvantages. First of all, you pay slightly more in service and handling charges. Second, if you have good credit, you will find that you may be prone to overbuy, and unless you budget your income properly, you can get over your head and, as a result, your credit record will suffer and you will have financial worries.

Some people are dishonest and do not intend to pay their bills. Some are merely poor managers and over-extend themselves to such extent that they cannot pay all their bills. Some people are careless. Some live too high for their income and try to keep up with the Joneses. This reminds me of a definition I once heard of a social climber. "A social climber is a person who spends the money he doesn't have, to buy things he doesn't want, to impress the people he doesn't like."

Students, *Guard Your Credit as a Sacred Trust.* From the first day you have credit granted to you, be honest with yourself. Pay your bills, keep your record clean by paying your bills promptly. Do not forget your credit record cannot be erased. Be it good or bad, be able to walk down the street and look your creditor in the eye—he will cherish your business and give you every break if you are only fair with him. I repeat, *Guard Your Credit as a Sacred Trust.*

The Columbia Credit Managers' Association was originally organized in 1939 with 20 charter members made up of credit managers of various local merchants in all lines of business. This Association has continued to function since that time and its primary purpose is to have monthly meetings of our credit granters and to discuss various aspects of credit granting. Credit granting ideas are exchanged among its members at these meetings and from time to time the Association has put on credit educational programs to promote the interest of the buying public. To sum up the motives of this Association, Harry W. Campbell, manager of the Credit Bureau of Columbia and executive secretary of the Association, says, "Those who pay their bills promptly have no trouble in getting what they want." ★★★

The Credit Workshop

"THE CREDIT WORKSHOP" was held on Monday, June 20, 1955, at the 41st Annual International Consumer Credit Conference in Louisville, Kentucky. Kaa F. Blue, Foundation Plan, Inc., New Orleans, Louisiana, and President, National Retail Credit Association, was Chairman of the Workshop. Panel members included:

Robert L. Bruchey, The Hecht Company, Baltimore, Maryland

Bernard Eyges, Leopold Morse Company, Boston, Massachusetts

E. M. Gallagher, Lit Brothers, Trenton, New Jersey.

R. F. Goldman, Hahn Furniture Company, Pittsburgh, Pennsylvania

J. Bert Hagan, The Royal Industrial Bank, Louisville, Kentucky

Mrs. Jo Hubbard, Sterchi Brothers, Chattanooga, Tennessee

B. J. Lenihan, Time Finance Company, Louisville, Kentucky.

Some of the discussion at this Workshop follows:

A credit problem is that of young married couples: Is credit extended to them, declined until they are established, or a guarantor requested?

Young married couples are not only customers of today but they are the real potential customers of tomorrow. We do not decline accounts to young married couples merely because they are under age. We take a complete application on both man and wife if already married and obtain parents' names and addresses of both. We then check both of the young people very carefully and also check their families. If their parents' records indicate a good credit history and background and the young couple's jobs (if both are working—and they usually are) appear to be secure we extend credit to them without a guarantor. We feel that in cases such as this, we are extending credit on the basis of character and capacity. In our particular business (home furnishings) the young couple usually select their furnishings long before they are married and we follow the same procedure. However, we set the account up in the name of the young man individually. Our experience has been that in accepting credit accounts such as this we build for ourselves valuable future business. The office boy of today may be the company president of tomorrow and we would like to be able to sell him when he reaches that position. It is not uncommon for people who have achieved success to remain with us because, as they say, "You gave us our start in our married life and we have been grateful ever since."

In considering a request for credit by a young married couple, we must first bear in mind that here is the lifeblood of our credit sales for the next twenty or thirty years, and every effort should be made to extend credit to these young married people. However, first consideration should be given to making certain that you do not overextend to them—that is, credit should be extended to them based primarily on the husband's income and their savings. These savings could be in the form of government bonds, savings or checking accounts, or an insurance program. A guarantor should not be asked for except when you are unwilling to extend the credit and are fully satisfied that the guarantor will pay if they default. Many of these young people come to your store at the recommendation of their parents who may have, and probably do have, credit established with you. In cases where the parents have accounts with you, it is wise and prudent to contact the parents and talk the request for credit over with them. In most cases, if the parents agree that credit should be extended, you will have very little trouble in collecting your account.

How often should Accounts Receivable be aged? How often charged to Profit and Loss?

The aging of accounts receivable depends upon the nature of your business and the workings of your organization. We age our accounts four times a year and find that it suits our needs quite amply.

We charge accounts off to Profit and Loss as we review the accounts. In other words we have no set time for such action but take these steps when we feel that the account should go into Profit and Loss. In doing this we save the need of handling this job in one particular month. It also allows us to spread the loss over a period of twelve months rather than having a large loss appear in a single month. If you know in May that you are going to have to charge an account off to Profit and Loss, why wait until the end of your fiscal year to take this action?

Allied Stores require a monthly aging of all accounts receivable but even if they did not, I believe that aging of accounts is necessary—that is, a sufficient number of accounts should be aged monthly on a spot-check basis throughout your entire accounts receivable and the results of this aging should be applied to the control totals for that particular section aged. From this, a formula could be arrived at and applied to the total accounts receivable balance, thereby giving you a month-to-month picture of the condition of your accounts.

Once a year is sufficient for charging accounts off to Profit and Loss. If you wanted to charge them off at an earlier period, they should be charged off when they are given to an outside agency or attorney for collection.

How are "Not Sufficient Funds" and "No Account" checks handled? What were the results?

When we receive word from the bank that the account has insufficient funds to take care of the check we call the customer by phone and advise her that the bank has returned her check and ask her to take care of the matter, and (this is important) we also advise her that we will hold her check until we receive a new check. We do this so that if the check is not forthcoming within a reasonable time we turn the check over to our attorney as a collection matter and he then has the evidence for presentation in court. In the matter of "No Account"

checks we advise the customer in the same manner but tell her that we expect the matter to be taken care of within two days otherwise it will be referred for legal action under the laws of our Commonwealth. In the matter of "insufficient funds" checks, our experience has been that they are usually "made good" within a day or so unless there are extenuating circumstances.

"Insufficient Funds" checks should be broken down into two parts:

1. An "insufficient funds" check given in payment of an account.

When these checks are returned from the bank, they should be charged back to the account and the customer notified that the check has been returned and asked to make the check good. If the customer fails to make the check good, dunning is picked up at the point it was left off at the time the check was presented.

2. An "insufficient funds" check presented in payment of merchandise or to obtain cash.

Under Massachusetts law, a customer has 48 hours to make good on such a check once she has been notified that it has been returned from the bank. We handle these checks in the following manner. Upon receipt of the check, we immediately call the bank to determine if there is enough money in the bank at that time to cover the check. If there is, we redeposit the check. If there is not, we write the customer a letter informing her that the check has been returned and asking her to send a registered check, a certified check, or a money order to replace it. If she fails to do this within seven days, we send her a second letter, and this time we enclose a copy of the bad-check law and give her 48 hours in which to get the money to us. If she fails to do this, we turn the matter over to our Protection Department to bring criminal action against her if necessary.

"No Account" checks are a deliberate attempt to defraud and if the customer can be located, a demand for payment should be made upon her immediately and upon failure to get payment, it should be turned over to the Protection Department to be handled as a criminal matter.

Is it advisable to ask a customer the amount of his total indebtedness and the total amount of his monthly payments which he has to make toward this indebtedness? If so, should it be the responsibility of the credit man or the Credit Bureau to obtain such information?

Today with customers seeking credit on almost every commodity or service that they need, it is a good idea to ask the customer for his total indebtedness. We do it on our applications for accounts and it has proved very effective in deciding on the extension of credit. Banks, personal finance companies, and many creditors ask these questions and the answers are readily given.

As to whether it is the responsibility of the credit man or the Credit Bureau, I would say emphatically that this information, or any information needed on an application, should be asked by the person who is filling out the application so that if there is any question, it can be discussed freely and frankly at the first interview.

This is a piece of information we should all try to obtain from a customer when establishing a budget account but I venture to say that not one out of ten credit interviewers, and credit managers included, asks a customer for that information. We apparently seem to feel that those are the questions usually asked in a bank or finance company and not in a retail store. Why is it that we do not obtain this information? My personal feeling is that for years we have been striving for a streamlined credit application and now that we have more or less achieved that goal we find ourselves enmeshed in a web of our own making. How many are saying to themselves at this particular point, "If we asked our customers that information they would walk out and go to our nearest competitor where they could get it without having to go through all that." Perhaps the time has come for us to get back to the basic principles of sound credit granting and get that type of information at the expense of a streamlined application. It is something we should do but are not doing. I would like to have the answer to this myself.

Why do small loans usually cost borrower a higher rate of interest than large loans?

Small loans cost customers more than large loans for the same reason that retailers have to charge more for the things they sell than do wholesalers. The retailer usually sells single or small quantities of goods; whereas, the wholesaler sells by the dozen, gross, or even five hundred or thousand-unit lots. The same is true in borrowing money. The large commercial customer of a bank may borrow $100,000 on a single payment note maturing in 90 or 120 days—or even longer.

The customer of a consumer loan company may borrow $20, $100, $300, $500, or more. With an average loan of $250, a consumer loan company will have to make loans to 400 individual borrowers to equal the $100,000 loan of a commercial bank. To make these 400 individual loans, the consumer loan company will investigate over 600 applications, and then will handle repayment of the 400 loans in weekly, semimonthly, or monthly payments over periods up to 20 and 24 months. The multitude of investigations, loans, and payment transactions the consumer loan company will handle will be several thousand times greater than those entered into by the commercial bank with the single-transaction $100,000 loan.

In recognition of the lower cost of handling even small loans in larger brackets, practically all of the small-loan laws in the United States provide for step-down rates. For example, in many states the small-loan rate drops from 3 per cent on the first $150 of loan, to 2 per cent on the next $150, and as low as one per cent or ½ per cent per month on balances over $300. In recognition of the hard economic fact that small loans can be made at lesser cost in higher brackets, the trend in recent years has been to increase the small-loan ceilings from the old original $300 limitation to $500, $600, $1,000, and even $2,500. Supervisory authorities and legislators have thus given due cognizance to the ability of consumer loan companies to render a more beneficial service at lower cost to customers when loan ceilings are raised.

It should be remembered that the rates permitted on small loans in states having such laws were established by the legislatures of those states upon the recommendation of most of the leading philanthropic and civic groups, labor unions, bar associations, newspapers, and public

officials. These laws were written and enacted for the protection of borrowers and largely stem from long and comprehensive studies by the Russell Sage Foundation of New York. The first small-loan laws were passed about 40 years ago as a means of driving out the unconscionable loan sharks who charged fees ranging from 240 to 1,000 per cent per year. Proof of the value of these laws is the fact that loan sharkery no longer exists in the states which adopted such laws. Some of the most prominent governors in our nation's history and three outstanding Presidents—Coolidge, Wilson, and Franklin Roosevelt—signed such laws when they were governors of their respective states.

How do consumer finance companies improve credit standings of borrowers?

Consumer finance companies improve credit standings of borrowers in a multitude of ways. Approximately 50 per cent of consumer finance company loans are made for the purpose of paying off, or consolidating, currently due bills which the customer otherwise would not be able to pay promptly. Consumer finance company loans are usually made on terms up to 20 months so that borrowers have ample time to readjust their financial condition and stabilize their budgets. The money the consumer finance company customer borrows for such purpose is immediately used to pay off other creditors, with a consequent, immediate restoration of his credit standing.

Virtually all consumer credit companies follow a rigid policy of counseling customers on wise use of credit. The customer is shown how to discipline his purchasing to maintain his credit standing in the community for future needs. Obviously, consumer finance companies can profitably lend their money only to customers who do maintain their credit in sound, healthy condition. Contrary to the impression held in some quarters, consumer finance companies cannot and do not extend their service to people in destitute circumstances. They can extend their service successfully only where it is possible to rehabilitate and refortify the customer's financial position.

Do consumer finance companies follow high standards of collection practice?

Virtually all consumer finance companies follow high standards of collection practice. Like every other segment of the consumer credit field, consumer finance companies are heavily dependent upon the *acquisition* and *retention* of customer and public good will. Consumer finance loans run for periods of 20 months, and longer. Therefore, the need for retention of customer good will is more acute than with credit granters extending shorter terms.

The ethical requirements for membership in the National Consumer Finance Association, for example, require that members do not enforce their mortgage legal rights on furniture loans if a customer is truly unable to meet his obligations. It is true that you may occasionally hear or read of some attempted harsh collection activity by a consumer finance company, but most times the circumstances in these cases are highly exaggerated.

Like every other industry and profession, we in our field are burdened with an infinitesimally small percentage of stupid or greedy people. But the annually published reports of supervisory authorities—where licensed consumer finance companies operate—conclusively show that legal actions for judgment are taken in less than one-tenth of one per cent of loans made. This is probably a very small percentage of legal actions taken by any credit-granting group serving so many millions of customers as consumer finance companies do.

Under the laws under which they operate, consumer finance companies must always go through the courts for any extraordinary collection activity—repossession of an automobile, for example. Thus, the merit of a consumer finance company claim for payment must first meet the test of court sanction.

One further important point is that the biggest single source of new business coming into the offices of consumer finance companies in America is through the recommendation of present and former customers. I think you will all agree that no one will recommend any company or service to his friends to such a high degree if that company and service had not treated him honorably and well.

As further evidence of the high level of collection practice, my company and some other companies in our field provide free life insurance coverage to our cus-

tomers. Thus, whenever the wage earner of the family dies, any remaining debt is automatically paid off, relieving the family of responsibility at a time of acute need. Tendency toward providing free life insurance coverage to customers is growing in our field.

How do consumer finance companies assist and fit into collection efforts of credit bureaus?

Because one of the prime functions of consumer finance companies is to rehabilitate and refortify the financial position and credit standing of American families, we fit in perfectly with the collection efforts of credit bureaus. It is the policy of my company and other companies in our industry to work very closely with credit bureaus for this purpose. Most of our companies belong to credit bureaus for the purpose of clearing credit information, and to prevent debtors from becoming overburdened. Consumer finance companies are eagerly alert, at all times, to work with credit bureaus in their collection efforts in the strengthening of personal and family financial conditions. Such effort is truly the keystone of our service and our very existence.

How do consumer finance companies improve standards of living?

While there may still be a few people who do not recognize it, the elevation of America's standard of living to the highest level experienced by human beings since the beginning of the world is due virtually solely to consumer credit. Not only has consumer credit given us the highest standard of living ever experienced by man; it has also enabled this country to save the Free World in two great world wars, and it is mainly responsible for America's pre-eminent position in world leadership today.

Consumer credit brought about mass distribution; mass distribution brought about tremendous plant expansion; tremendous plant expansion brought about reduced costs. It provided jobs, and jobs provided purchasing power.

This circle of beneficial effects put America in the position to become the arsenal of democracy and to provide the tremendous plants, tools, equipments, skills, and other sinews that enabled the Free World to win World War I and World War II.

Consumer finance companies—servicing one out of five American families in the 36 states which have such laws—are a substantial, vital, and indispensable factor in the growth of consumer credit in America. Thus, we feel they have played their part amply and well in not only improving standards of living but in saving the precious values of freedom for ourselves and other nations of the world.

A sizable portion not only of consumer finance service but consumer credit, generally, is also used for health development purposes. Use of consumer credit in any form for medical and dental needs, labor- and time-saving home appliances, better foods and vitamins, all contributes to the physical well-being of Americans. Health statistics show conclusively that Americans, generally, are healthier, live longer, and have increased their physical stature almost in direct ratio to the growth of consumer credit in our country. So, in all phases, consumer credit has contributed immeasurably to improve our standards of living.

Is consumer credit America's modern form of dynamic thrift?

There can be no question that consumer credit is America's modern form of dynamic thrift. Goods and services purchased—that provide greater comfort, convenience, and well-being of users of consumer credit—are assets as sound and solid as, and more dynamic than, cash alone. Cash assets exclusively of themselves are actually static. A person with an automobile, refrigerator, washing machine, vacuum cleaner, and other household goods and appliances has accumulated assets at least as important as—in many cases, even more so than—cash in the bank.

Consumer credit is for most people the only painless way to save and benefit themselves. If there were no such thing as consumer credit, most people would be unable to discipline themselves to save money for future purchase. Long before they would have accumulated enough to make some specific purchase, they would have been tempted into squandering their savings in some useless and even detrimental manner.

We saw mass verification of this just recently in World War II and the Korean conflict, when people at home enjoyed substantial incomes but because of war needs were prevented from buying consumer hard goods. The result was that a great many people spent their excess income in a lot of useless and frivolous ways. They did not save their money. They squandered it carelessly. If they had had the opportunity they would have put these funds into the purchase of goods and services that would have substantially increased the assets on their family balance sheet.

What do consumer finance companies do to increase or decrease bankruptcies in lower income groups?

While it is not generally recognized, consumer finance companies are actually the greatest bulwark against taking of bankruptcy by lower income groups. The very keystone of consumer finance existence is to rehabilitate and refortify the financial standing of all its customers. If for any reason consumer finance companies were to go out of existence tomorrow, the increase in personal bankruptcies in America would leap instantly and tremendously.

Bear in mind that over 50 per cent of the usage of consumer finance loans is for the purpose of liquidating already incurred debts. With longer time and efficient debt counseling, users of consumer finance service in any income bracket are enabled to avoid financial crises that bring about bankruptcy.

Of course, it is true that you find consumer finance companies listed occasionally among a bankrupt's debts. By the same token, you find that the medical profession does not always save the lives of its patients, nor does the legal profession always win suits for its clients.

Except in outright cases of negligence, nobody condemns the doctor whose patient dies, or a lawyer whose client loses a suit; nor can anyone rightfully or honorably condemn consumer finance or any other phase of consumer credit because of bankruptcies. Rather, people should understand and know the countless cures of financial problems which without publicity or glamour are accomplished as everyday routine matters in every consumer finance office in our country. ★★★

Florida's New Bad Check Law

An Act Relating To Worthless Checks, Making It Unlawful To Make, Issue, Utter Or Deliver Checks Or Other Written Orders For Money On Banks Without Sufficient Funds On Deposit To Pay Same Or To Receive Goods Or Other Things Of Value In Exchange For Such Checks, Establishing Evidence Of Worthless Checks; Providing An Exception: and Providing Penalties For Violations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF FLORIDA:

Section 1. (1) PURPOSE.—The purpose of this act is to remedy the evil of giving checks, drafts, bills of exchange and other orders on a bank without first providing funds in or credit with the depository on which the same are made or drawn to pay and satisfy the same, which tends to create the circulation of worthless checks, drafts, bills of exchange and other orders on banks, bad banking, check kiting and a mischief to trade and commerce.

(2) WORTHLESS CHECKS.—It shall be unlawful for any person, firm or corporation to draw, make, utter, issue, or deliver to another any check, draft, or other written order on any bank or depository for the payment of money or its equivalent, knowing at the time of the drawing, making, uttering, issuing, or delivering such check or draft that the maker or drawer thereof has not sufficient funds on deposit in or credit with such bank or depository with which to pay the same on presentation; provided, that this section shall not apply to any check where the payee or holder knows or has been expressly notified prior to the drawing or uttering of same or has reason to believe that the drawer did not have on deposit or to his credit with the drawee sufficient funds to insure payment as aforesaid, nor shall this section apply to any postdated check.

(3) OBTAINING PROPERTY IN RETURN FOR WORTHLESS CHECKS, ETC.—It shall be unlawful for any person, firm or corporation to obtain any services, goods, wares or other things of value by means of a check, draft, or other written order upon any bank, person, firm or corporation, knowing at the time of the making, drawing, uttering, issuing, or delivering of said check or draft that the maker thereof has not sufficient funds on deposit in or credit with such bank or depository with which to pay the same upon presentation, provided however that no crime may be charged in respect to the giving of any such check or draft or other written order where the payee knows or has been expressly notified or has reason to believe that the drawer did not have on deposit or to his credit with the drawee sufficient funds to insure payment thereof.

(4) The word "credit" as used herein shall be construed to mean an arrangement or understanding with the drawee for the payment of such check, draft, or other written order.

(5) It shall be the duty of the drawee of any check, draft, or other written order, before refusing to pay the same to the holder thereof, upon presentation, to cause to be written, printed, or stamped in plain language thereon, or attached thereto, the reason for drawee's dishonor or refusal to pay same. In all prosecutions under this act, the introduction in evidence of any unpaid and dishonored check, draft, or other written order, having the drawee's refusal to pay stamped or written thereon, or attached thereto, with the reason therefor as aforesaid, shall be prima facie evidence of the making or uttering of said check, draft, or other written order, and the due presentation to the drawee for payment and the dishonor thereof, and that the same was properly dishonored for the reasons written, stamped, or attached by the drawee on such dishonored check, draft, or other written order; and, as against the maker or drawer thereof, the withdrawing from deposit with the drawee named in the check, draft, or other written order, the funds on deposit with such drawee necessary to insure payment of said check, draft, or other written order upon presentation within a reasonable time after negotiation; or the drawing, making, uttering, or delivering of a check, draft, or written order, payment of which is refused by the drawee, shall be prima facie evidence of knowledge of insufficient funds in or credit with such drawee; provided, however, if it is determined at the trial in a prosecution hereunder, that the payee of any such check, draft or written order at the time of accepting such check, draft, or written order, had knowledge of or reason to believe that the drawee of such check, draft, or written order did not have sufficient funds on deposit in or credit with such payee bank, then the payee instituting such criminal prosecution shall be assessed all costs of court incurred in connection with such prosecution.

(6) PENALTY.

(a) Any person violating the provisions of this Act shall be punished in the same manner as provided by law for punishment for the crime of larceny.

(b) Payment of a dishonored check, draft, bill of exchange, or other orders shall not constitute a defense or ground for dismissal of charges brought under this section.

Section 2. This Act shall not be construed to repeal sections 832.01, 832.02, and 832.03, Florida Statutes, but shall be deemed to be cumulative and additional thereto.

Section 3. This Act shall take effect immediately upon its becoming a law.

NOTICE

To Local Association Secretaries:

It is frequently advisable to communicate with the President and Secretary of Local Associations. This information is missing in many instances.

Will you please forward us the names of the Officers and Directors of your Association, together with the name of the firm and address. We should also like the month in which your annual meetings are held.

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

Today's Credit Picture

B. D. GARDNER, *Manager*, Credit Bureau of Hornell, Hornell, New York

An address before the Credit Women's Breakfast Club, St. Catharines, Ontario, Canada

NEWSPAPERS and magazines are devoting a lot of space to current business conditions. One phase which is getting its share of discussion is "Consumer Credit." Business leaders and economists, in and out of governments, are reporting varied reactions to the expanding use of credit. The indicated confusion of current credit trends serves as a challenge to the people in the field. Now and in the future, leadership and understanding will be needed to make sure credit does its intended job. It may sound simple, but I think credit men and women have their work cut out for them.

Many people have ideas about the current credit structure, so perhaps we should do a little analyzing and appraising. Everyone seems to agree that the expanding use of consumer credit will become more competitive. In the past, many credit policies have been simply to pick the good or the bad. But in the future credit competition, business will have to go after the marginal risk. Then qualified credit people will come to the front.

In the United States our consumer debt for goods and services is over 33 billion dollars. As we have an estimated 50 million families, it means each family owes an average of 650 dollars. However, the latest report issued by the Federal Reserve Board shows over 50 per cent of our families owe no installment debt. This means that the families who are using installment credit owe twice as much, or 1,200 to 1,400 dollars, on an average.

You may wonder what this has to do with credit conditions in Canada. I was told your economic trends are about the same as in the United States. So I asked for some information concerning your current credit picture.

Figures on Canadian Consumer Debt

Latest figures show the Canadian consumer debt is about two billion dollars. As you have about fifteen million people, and if we say the average family is three in number, it means the average consumer debt for each family is $400. If only 50 per cent of your families are using installment credit, it would mean they owe an average of $800. Want to apply these figures locally? In St. Catharines, you have an estimated 14,000 families, which would mean, by using a straight-line method, they owe five million six hundred thousand dollars in consumer debt. For the Province of Ontario, you have an estimated one-third the population, and an estimated one-third of the debt or 700 million dollars. You could also add the real estate mortgage debt, which will give you a nice total. I cannot guarantee these ratios and I give them only to give you an indication of the amount of credit being used by individuals.

Now, what are the critics saying about general credit conditions? They call credit, "A fantastic paper structure which can do no good." They say, "The present growth in consumer credit must be stopped, as it will cause overproduction, overload buyers with debt, and create other economic havoc."

They point out, when overloaded creditors cannot pay, it will cause economic catastrophe, as these creditors will be debtors of other people. So, the effect of not paying would spread in ever widening circles. They have also made critical references where the problems of people overburdened with debt were blamed on those who granted the credit. They argue that the credit granter has the initiative to grant or not grant credit. The credit granter knows more of the problems of repayment, as he sees more people struggle with the problem.

The credit granter can take a more realistic approach to credit than the credit seeker, as he is not pressured by the emotions of family needs and wants. The credit granter is the one who puts pressure on the debtor for payment, which is often considered serious trouble. Other critical statements have been made, but the public conclusion of whether consumer credit is good or bad depends primarily on the credit policies of the business.

The current criticism of credit is not new. We know the root of credit goes away back in history, and frankly was not considered a very honorable business. History tells that the church condemned any type of credit which charged interest. This fact drove the money lenders into dark alleys and other places of hiding. Shakespeare had a symbol of money lenders and unwise credit granters in the character of Shylock. The hatred developed by audiences over this character was the genuine feeling of people toward the money lenders of that period.

After a long period of getting people involved, and then squeezing them to pay, a change took place. Someone, or some group, decided that borrowing or using credit could be an advantage. Respectable businessmen and leaders found business could gain by borrowing. By using borrowed funds, they could expand their business activities, and earn enough to pay interest, repay the loan, and make a greater profit. This idea of business and commercial loans gained acceptance, and became a necessary part of everyday business life.

However, history tells us, consumer credit did not follow the same pattern. Its use was rather limited until after the turn of the present century. In most cases, charge accounts were enjoyed only by the rich and by good friends of certain merchants.

In the early 1900's, families began to buy a variety

Christmas Greetings

SINCERE GREETINGS and all best wishes for Christmas and the New Year to readers of The CREDIT WORLD everywhere. May the spirit of tolerance, peace, and good will be uppermost in our thoughts and minds and may we all build for a brighter and happier world. It has been a real pleasure to have played a small part in contributing to these columns during 1955 and I thank those who have assisted me so materially through articles provided which I know have been of interest to you. May I again invite all Canadians from coast to coast to assist in forwarding to me suitable articles for the Canadian section of our publication. This is a personal invitation to *you,* whether you are a credit granter or bureau manager anywhere in Canada.

A Merry Christmas and a Happy New Year to you all.

Carl B. Flemington

of goods on the installment plan. But, the plan was criticized, as it was used by traveling peddlers and hawkers who often oversold the customer and used the meanest collection methods possible.

Gradually, all these faults were corrected and installment buying became an accepted part of retail business. Its use spread and credit volume increased. With the expanded use of credit came credit bureaus, credit associations, and other organizations to improve our understanding and application of this economic force. The Credit Women's Breakfast Clubs were started to associate women in the field, and to furnish them with educational material on how to do a better job. Those of us who work in credit should be interested in any form of credit education, as we want to know and we want others to understand the best use of credit.

Next, we can ask, "Do current credit conditions worry our leaders?" Let me read a news release published in the *Wall Street Journal,* August 29, 1955. Quote, "The Bank of Montreal in its current business review reported Canadian consumer credit has increased more than sixfold since 1945, and is now close to $2 billion." "So long as family incomes continue to rise, the current level of consumer indebtedness may not prove particularly burdensome," the bank said. But the review cautions, "There is no acceptable guarantee that the upward trend of business will progress uninterruptedly, and it cannot be denied thaat an economy whose continued growth is, in any significant degree, dependent upon a continually enlarging structure of credit, is open to sharp setback should there be any shrinkage in the flow, on the basis for which credit is granted."

The bank believes that, while there are long-term forces at work to produce and justify an expansion of consumer credit, there is always the danger that too rapid a growth in the short run may subsequently involve painful consolidation. Thus, the bank review continues, "There is the responsibility, which must be borne not only by the monetary authorities, but also by those who borrow and those who lend, of exercising discretion lest the consumer become overextended in his eagerness to borrow in order to buy."

On August 10, 1955, a press release which reported the meeting of the Federal Reserve officials and top finance company executives in Washington, read in part, "Consumer credit trends were discussed by the Federal Reserve Board and executives of top finance and banking organizations." Further, the Federal Reserve Board said, "Concern over the quality of credit rather than the quantity of credit being extended, prompted the meeting." These articles show that our leaders are not worried over the size of the consumer debt.

Now, where do we, as credit people, stand? The September issue of The CREDIT WORLD gives us the key. The cover reads, "Credit, Man's Confidence in Man—An Ideal Worth Preserving." We know that credit has done so much to improve business conditions and our standard of living. We know it can do much more good in the future, if handled wisely. We agree with the critics in so far as debating the advantages and disadvantages of buying on credit. We know such debate is healthy, as it tends to bring about an understanding as to the best use and purpose of credit.

Personally, I think the critics have overlooked the benefits of credit. I think they forget that consumer credit has had faults which are now corrected. They overlook the fact that consumer credit has acquired status and respectability where it once had condemnation and contempt. I do not consider credit incapable of doing harm to our society, but it will not happen if it is being handled by capable credit personnel who have developed intelligent application. If people working in credit will take the time to learn the good and bad points of credit, and then pass along what they have learned, a great deal can be accomplished.

We know credit is good when:

1. It adds to productivity by being a method of providing the tools of living to enable those who consume also to live and produce.
2. It adds to the activity of business by providing an immediate market for goods.
3. It adds to the convenience of life by making economic transactions take place smoothly and efficiently.

On the other hand, it is considered bad when:

1. It leads to waste as people buy what they do not need or cannot pay for.
2. It leads to inflation and high prices by increasing buying power faster than production.
3. It leads to excessive costs for record keeping and collection and places borrowers in financial difficulties.

Press releases and other information indicate the immediate credit problem is in collections. Too many people are reported overextended creditwise, and are having difficulty in meeting their payments. Some are reported as "hopelessly involved."

Reference was made to this condition by the Federal Reserve Board when they said, "They were worried over the quality of accounts." Caution was also advised in the *Bank of Montreal Review* which said, "Discretion should be used, lest the consumer become overextended." Many merchants are worried over their collection ratios. Busi-

ness failures are up. In Canada, they are up three per cent in the first half of this year.

Let us talk about those collections. First we might ask ourselves how some of the people became so overburdened with debt. Was it the fault of customers or of business? Were the known and accepted rules of extending credit followed? Your guess will be as good as mine.

This year, a survey was made by a senior student of the Department of Economics and Business at Alfred University. He surveyed businessmen in the trading area, the greater part of which is covered by our credit bureau. He wanted to know what effect the expanded use of credit was having in our area. He asked a lot of questions of a lot of people. One section of the survey had to do with methods used in processing new credit requests.

26 per cent reported they made investigation before extending credit (credit reports, etc.).

26 per cent reported they made little investigation (in other words, spot-checked or hit-and-miss methods).

48 per cent made no investigation.

In collection return, the survey showed only 34 per cent of those who made little or no investigation reported their collections as "fair to good." Yet, 92 per cent of those who did investigate, reported their collections as "fair to good." In other words, 26 accounts out of every 100 were opened by following accepted and proper methods. The remaining 74 accounts were opened without following those methods.

The 58 per cent difference in collection return is proof positive that "extending credit is no kid's job." You have heard, "An account properly opened is 75 per cent to 90 per cent collected." These figures prove it. It also proves there are no short cuts in handling credit. It proves, too, the need of qualified credit people who know the rules. You know the rules, I mean. Your educational program outlines the procedures for you, and your club gives you material for a good basic credit education.

We are in a prosperous period. It is an old saying but true, "Prosperity breeds optimism and confidence," but it should not be overconfidence. I told you that the critics of consumer credit consider an ill-informed or careless credit granter more at fault in granting bad credit, than the anxious seeker who overestimates his own capacity to pay.

Through associations such as yours and mine, much progress has been made in the past 25 years. Much more will be accomplished in the future, as the majority of credit people want it that way. We want credit to do the job it is supposed to do. The answer is in education and more educated credit personnel. Business will find good credit practices and a sound credit control plan can weather the peaks and valleys of any economic change.

There is no need to violate good credit practices and create hardship for the customer. Nor is there any need to speculate in credit, as speculation in credit, like crime, does not pay. If we are to maintain the credit ideal of "Man's Confidence in Man," it must work both ways. Customers should not overbuy, nor should business oversell. Today, credit knowledge is not a sentiment, it is an economic necessity. ***

CREDIT FLASHES

National Office Visitors from Germany

On October 25, 1955, the National Office was honored by a visit of six men and women who were on a study tour of American consumer credit operations. The list included: Count von Arnim, Muenchener Finanz-Gesellschaft Knote and Company, (Finance Company) Munich; Hermann Fromm, Bettfedernfabrik, (Bedding Manufacturers) Oldenburg; Mrs. Anna Fromm; Hans-Joachim Baron von Hertzberg, Absatzkreditbank Graf von Berckheim and Company, (Consumer Credit Bank) Mannheim; Hans Moebius, Daimler-Benz AG, (Automobile Manufacturers) Stuttgart-Untertuerkheim; Dr. Robert Platow, Economist and Publisher, Hamburg; and Ted von Zastrow, (Tour escort and interpreter) Globe Travel Service. After luncheon they were taken to the Associated Credit Bureaus of America for a tour of their offices.

Credit Granters Honor R. O. Gaudlitz

Members of the Springfield Credit Granters Association, Springfield, Illinois, recently honored R. O. Gaudlitz, Secretary-Manager, Springfield Credit Bureau, upon completion of 30 years' service with the credit bureau. More than 60 credit granters, representing local merchants and professional men, attended the dinner. R. F. Herndon is chairman of the credit granters. The speaker of the evening was James M. Bridges, General Motors Acceptance Corporation. Mr. Gaudlitz is a member of the Quarter Century Club of the National Retail Credit Association.

F. W. Funk Honored

On September 23, 1955, the Credit Grantors Association of Winnipeg, Winnipeg, Manitoba, Canada, honored W. F. (Bill) Funk in presenting to him a life membership granted by the National Retail Credit Association. He is office manager of the Hudson's Bay Company of that city and for many years was credit manager, E. S. Atkinson Company, Minneapolis, Minnesota. Mr. Funk was a director of the National Retail Credit Association in 1925, 1926, and 1927. Shown in the picture below, left to right, are: Howard Albright, first Chairman of the Credit Grantors Association of Winnipeg; Mrs. Funk; Mr. Funk; and O. M. Day, present Chairman of the Credit Grantors Association.

Coming District Meetings

District One (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Provinces of Quebec, New Brunswick, Nova Scotia, and Prince Edward Island, Canada) will hold its annual meeting at the Sheraton-Kimball Hotel, Springfield, Massachusetts, May 6, 7, and 8, 1956.

District Two (New York and New Jersey) and **District Twelve** (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia) will hold a joint annual meeting at the Hotel Roosevelt, Pittsburgh, Pennsylvania, February 12, 13, and 14, 1956.

District Three (Florida, Georgia, North Carolina and South Carolina) and **District Four** (Alabama, Louisiana, Mississippi, and Tennessee) will hold a joint annual meeting at the Battery Park and George Vanderbilt Hotels, Asheville, North Carolina, April 15, 16, 17, and 18, 1956.

District Five (Kentucky, Michigan, Ohio, Ontario, Canada, Illinois, Indiana and Wisconsin, except Superior) will hold its annual meeting at the Commodore Perry Hotel, Toledo, Ohio, February 12, 13, and 14, 1956.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting at the Hotel Savery, Des Moines, Iowa, March 11, 12, and 13, 1956.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Allis Hotel, Wichita, Kansas, April 7, 8, and 9, 1956.

District Eight (Texas) will hold its annual meeting at the Stephen F. Austin Hotel, Austin, Texas, May 20, 21, and 22, 1956.

District Nine (Colorado, New Mexico, Utah, and Wyoming) will hold its annual meeting at the Broadmoor Hotel, Colorado Springs, Colorado, February 19, 20, and 21, 1956.

District Ten (Alaska, Idaho, Montana, Oregon, Washington, Provinces of Alberta, British Columbia, and Saskatchewan, Canada) will hold its annual meeting at the Olympic Hotel, Seattle, Washington, May 19, 20, 21, and 22, 1956.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting at the Hacienda Motel, Fresno, California, February 19, 20, 21, and 22, 1956.

Othello, Washington

The officers and directors of the Othello Retail Credit Association, Othello, Washington, a new unit of the National Retail Credit Association, are: President, Glenn Schneider, Peoples National Bank; Vice President, James Martin, Furniture Center; Treasurer, Jesse Fox, Basin Tractor Company; and Secretary, Hugh Warnick, Credit Bureau of Othello. Directors: Ben Morgan, Potlatch Yards; and Fritz Garman, Othello Lumber Company.

Lyman P. Weld

Lyman P. Weld, owner-manager of the Longmont Creditors Adjustment Service, Longmont, Colorado, died at the Longmont Hospital, October 22, 1955, at the age of 74. He contributed much to the collection profession and was one of the first Chairmen of the Collection Service Division of the Associated Credit Bureaus of America. He also played an important part in the development of the Collection Service Division of the Associated Credit Bureaus of the Rocky Mountain States. He was a leader in the collection profession and played an important part in writing the current collection agency laws for the State of Colorado. He was a member of the Colorado Bar Association and the Boulder County Bar Association and served as a member of the Colorado State Legislature from 1943 to 1949. He had been a member of the National Retail Credit Association for over 25 years and was recently made an Honorary Life Member of the Association. He is survived by his wife, one daughter, one sister, and two grandchildren to whom we extend our deepest sympathy.

Annual Meeting at Des Moines

At the annual meeting of the Retail Credit Association, Des Moines, Iowa, the following officers and directors were elected: President, Ray Garns, Iowa-Des Moines National Bank; Vice President, Paul F. Bryant, Des Moines Morris Plan; Treasurer, Hugh Van Hosen, Bankers Trust Company; and Secretary, E. H. Biermann, Credit Bureau of Des Moines. Directors: John A. Hayes, Younkers, Inc.; Mrs. Jeanette Midgorden, The Register and Tribune Company; John Lanning, Green Colonial Furnace Company; Ivan Starke, Davidsons; Mrs. Carrie Kuelper, Frankel's; and Joan Haegen, Furniture Exchange, immediate past Corresponding Secretary, Credit Women's Breakfast Clubs of North America. Des Moines will be host to the annual meeting of District Six, National Retail Credit Association, to be held at Hotel Savery, March 11, 12, and 13, 1956.

Position Wanted

Credit Bureau and Collection Manager, man, age 40, with 20 years of solid experience in retail credit and collections, hospital and professional management, and Credit Bureau supervision of 150 member operation. Seeking an opportunity to manage a Credit Bureau and/or Collection Division with a view toward eventual partnership or ownership. Prefer Middle West but will consider all offers. Excellent references furnished on request. Can arrange to leave present employment in about three months. Box 12551, The Credit World.

Help Wanted

Hospital Credit Manager, mature experienced individual with credit background. Position will have responsibility of admitting, information, investigation, collection and receivable departments. Applicant must have organizational talent. Give business experience, date available and salary desired. Allen J. Perrez, Jr., Administrator, Indianapolis General Hospital, Indianapolis, Indiana.

Membership

Local Associations in the following cities have been organized since June 1, 1955:

Amsterdam, New York
El Centro, California
Hermosa Beach, California
Midland, Texas
Othello, Washington
Paducah, Kentucky
Plainview, Texas
Priest River, Idaho
Shelby, Montana
Terrace, British Columbia, Canada

New members as of November 25, 1955, by Districts, are:

1	172
2	145
3	115
4	167
5	124
6	53
7	162
8	440
9	129
10	1,309
11	647
12	244
Foreign	3

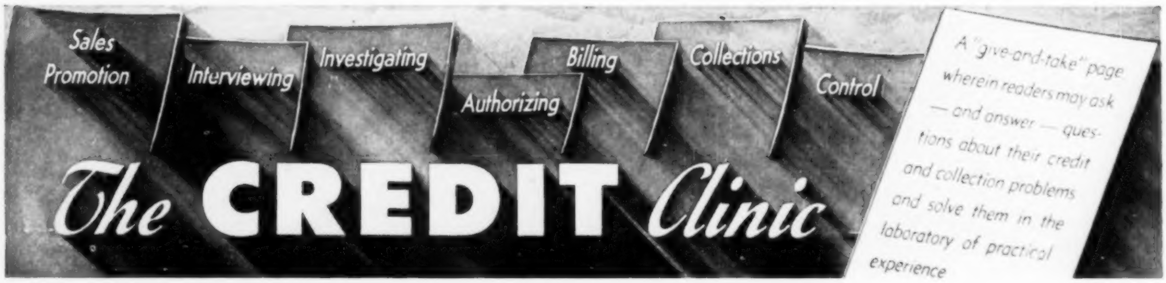
The new members since June 1, 1955, total 3,710 while the grand total membership is now 37,995.

Annual Event at Los Angeles

As has been the practice for the past three years, the Retail Merchants Credit Association of Los Angeles, Los Angeles, California, was host at the November meeting of the Los Angeles Retail Credit Associates. Over 150 people were in attendance. W. D. Conel, General Manager of the Association, welcomed the guests and James W. Scott, his assistant, led the group in community singing to the strains of an accordion and also introduced Frank O. McIntyre, Director of Public Relations, California Teachers Association, Southern Section, whose speech proved most interesting and carried some forceful thoughts on the subject "The Better Mouse Trap." On behalf of the National Retail Credit Association, Bert Henderman, President of the Los Angeles Retail Credit Associates, presented to Arthur E. Kaiser, formerly Credit Manager for Bullock's, a certificate making him an honorary life member of the N.R.C.A. William W. Weir and George Lawrence, honorary life members of the N.R.C.A., usual participants at this annual gathering, were unable to attend due to their absence from the city. Mr. Weir was formerly Credit Manager of the May Company and Mr. Lawrence was the Credit Manager at Coulters Department Store and both served these two establishments for many years.

Position Wanted

Credit Sales Manager. Experienced in all phases of credits and collections including cycle billing and club plan financing. Good background in accounting and office management. Best references. Will go anywhere. Prefer southern area. Available immediately. Box 12552, The Credit World.



Medical Professional Panel

QUESTION

A local clinic composed of eleven doctors wants to know just what per cent of their total accounts receivable should be collectible? Has a national or regional percentage figure been computed or is such a figure obtainable?

ANSWERS

R. E. Blue, Willis-Knighton Memorial Hospital, Shreveport, Louisiana: In our hospital if we can hold our losses to two per cent we feel that we are doing all right. We are affiliated with the Retail Merchants Association of Shreveport and use their collection agency facilities in taking care of this two per cent of bad accounts. A clinic composed of a group of doctors is next to the hospital and their losses are greater than ours. We are allowed to get the money first. It is their practice to give medical services to all who apply, therefore their losses are greater than the hospital's. It is my opinion, after talking with the clinic employees, that a percentage of eight per cent should be set aside for bad accounts. They also use a collection agency to collect their bad accounts, and this percentage is reduced as collections are made. If the clinic asking this question will have a definite admitting policy and get the information in accordance with instruction from its local retail merchants' association and use the association for collection of bad accounts, its percentage of uncollectible accounts will be a surprise. Also, keep in mind that a clinic or hospital is not a mercantile business and will have to be satisfied with a larger percentage of uncollectible accounts.

J. Bilger Bronson, Rochester Regional Hospital Council, Rochester, New York: Our Council is composed of 29 hospitals, varying in size from 50 beds to over 300. There is no exact figure available to this question but in my travels through the region, I find that the hospitals collect from 92 to 98 per cent of their accounts. This precludes free care arranged for before admission and usually authorized by the hospital administrator. This care covers the following categories: community service, personnel benefits, and contractual agencies. I do feel that a clinic which can be more selective in its patients and takes advantage of its credit bureau should have a higher percentage than a hospital which must care for anyone who needs service.

V. L. Meyer, The Sheboygan Clinic, Sheboygan, Wisconsin: Generally there is a fluctuation of the collection percentage among Clinic organizations ranging between 80 per cent and 98 per cent. The highs and lows in many cases reflect the type of area in which such an organization is situated. I do know that in the Midwest the collection percentages usually range between 90 per cent and 98 per cent. If economic conditions are favorable and everything else is normal and equal, we believe that an average of 93 per cent to 98 per cent of accounts collected by the medical profession is a good ratio.

Louis McIver, The Gaston Hospital, Dallas, Texas: The reports I have had from north, east, south, and west Texas show an average of 90 per cent, with the exception of Lubbock which shows 70 per cent. If you will recall, that is the section of our state that has been so dry. Here in Dallas the figure runs 94 per cent.

Mrs. Blanche A. Pratt, Dr. A. M. Henderson, Jr., Sacramento, California: I presented this problem to eleven outstanding medical assistants. They came from the following types of specialist offices: Surgeons, x-ray specialists, obstetricians and gynecologists, pediatricians, bone specialists, eye specialists, and general practice. The high percentage of accounts collectible was 98, low was 80, the average 92. I feel this percentage could be brought up four to six per cent if the girls who work on the collections could have more time to follow up past-due accounts. Many of these girls have other duties to perform besides collections.

John A. Ward, Lovelace Clinic, Albuquerque, New Mexico: One procedure is dividing total monthly bookings into total cash received to arrive at the average collection percentage. These percentages vary by states, but the last figure I have from a report of 106 clinics is an over-all average of 92.5 per cent. Some of the states run as low as 83 per cent, while others range upward to 98 per cent. It has always seemed more logical to me to use the method of retail stores, i.e., dividing the total outstanding accounts receivable at the end of the month into the total amount collected on the accounts during the month. I do not have a regional or national average in the way of bad-debt losses. However, in the hospital and clinic forums of national conventions it seems to run anywhere from two per cent to ten per cent.

Alvah Conner, The Medical and Surgical Clinic, Wichita Falls, Texas: Here is a copy of our monthly report showing how we arrive at the percentage of collections and which pattern is prescribed and adopted by all members of the National Association of Clinic Managers. You notice in the first column under Accounts Receivable, we list the old balance at the first of that month, the charges, refunds, debit journals that month. Then the collections, credit journals and the balance at the close of the month less the collections which total the same. Then I refer you to the next column which is a 12-month accumulation. Then the next column shows a monthly average of charges, refunds, debit journals, collections, credit journals. Now to arrive at the collection percentage of collections for any month or any period, divide by the charges of that same period which gives us the percentage of charges for that month; then the collections plus the credit journals divided by the charges, refunds and debit journals give us the net collections of operation of that period. This is not the method used by retail credit firms and I have no argument as to whether or not it is correct, but until a better comparison pattern has been set up, the National Association of Clinic Managers will continue to use it.

ACCOUNTS RECEIVABLE	Mo. of Dec.	12-month accumulation	Mo. av.
Balance, 1st of Period	181,998.21	192,744.08	.00
Charges	34,966.92	461,711.32	38,475.94
Refunds	246.00	2,363.26	196.94
Debit Journals	779.50	33,963.71	2,830.31
PROOF TOTAL	217,990.63	690,780.37	.00
Collections	37,122.60	437,146.90	36,428.91
Credit Journals	779.60	73,547.04	6,128.90
Balance, Close of Period	180,088.43	180,088.43	.00

COLLECTION PERCENTAGE	Mo. %	12 mo. %
Collection by Charges	106.17	94.70
Collections & Credit Journals by Charges, Refunds & Debit Journals	105.31	97.66

John M. Delio, Hamot Hospital, Erie, Pennsylvania: Your inquiry necessitated considerable research. With the assistance of Fred Morgan, Secretary-Treasurer, American Association of Hospital Accountants, a survey was made and published in the May, 1955, issue of *Hospital Accounting*. These figures, as shown in the table below, are the result of a postcard survey taken at that time from association members to determine what might be considered good collection standards. Obviously, there are many factors which interject themselves into such a survey, but the committee had made every effort to recognize these items and make proper allowances. It has been mentioned, and rightfully so, that accounting procedures and policies in the handling of bad debts, charity, and so on, would result in some differences between the institutions in such a survey. The committee felt, however, that with 253 hospitals reporting and representing over forty-two million dollars in receivables, the results would be statistically valid.

Mrs. Kenneth L. Haley, Dr. H. E. Murry, Texarkana, Arkansas: This is a good question and one which doctors' offices, clinics, and hospitals are interested in having analyzed and answered. In my office, one of a private physician, one person does general office work and assisting. This I mention because there is no full-time bookkeeper and collector. In the immediate past year, collections were approximately 82 per cent of charge accounts. Aside from having a full-time employee to take care of accounts, the economic status of a community would have a great bearing on the percentage of collectible accounts.

TABLE A: PATIENTS' RECEIVABLES BY SIZE OF HOSPITAL

Number of Beds	Number of Hospitals	Total Beds	Total Pts'. Receivables	Total Income Per Month	Ratio of Income to Receivables	Average Receivables Per Bed
1-100	61	3,839	2,704,140	1,742,985	1.55	704.39
100-200	91	13,356	10,008,422	6,648,788	1.51	749.36
200-300	54	13,444	11,882,670	6,965,782	1.71	883.86
300-400	27	8,729	6,838,197	4,538,445	1.51	783.39
400 over	20	11,217	11,025,692	6,766,658	1.63	982.94
Total	253	50,585	42,459,121	26,662,658	1.59	839.36

TABLE B: RECEIVABLES BY SIZE OF COMMUNITY

Population	Number of Hospitals	Total Beds	Total Pts'. Receivables	Total Income Per Month	Ratio of Income to Receivables	Average Receivables Per Bed
Under 25,000	55	4,834	3,594,193	1,969,912	1.83	743.52
25,000 100,000	81	14,769	13,567,570	7,352,772	1.85	918.65
Over 100,000	117	30,982	25,297,358	17,339,974	1.46	816.52
Total	253	50,585	42,459,121	26,662,658	1.59	839.36

Make Your Reservation Now

for the

42nd ANNUAL INTERNATIONAL CONSUMER CREDIT CONFERENCE

Hotels Jefferson and Statler, St. Louis, Missouri, June 17-21, 1956

RESERVATIONS for the 42nd Annual International Consumer Credit Conference to be held in St. Louis next June should be made *now*. In order that reservations managers receive all the information needed to reserve your room, a check list has been compiled. Please send your reservation directly to the hotel of your choice, in care of the Reservations Manager.

The following information should be included in your letter:

1. Name of hotel desired.
2. Type of room desired.
3. Names and number of people who will occupy the rooms.
4. Arrival time and arrival date.
5. Departure date.

Hotel Jefferson—Conference Headquarters

(Entire hotel is air conditioned)

Single Room	$ 7.50 to $ 9.50
Double Room	$10.50 to $12.50
Twin-bedded Room	$11.50 to $16.00
Suites (Parlor and Bedroom)	$25.00 to $39.50

Send reservations to Miss Louella Ryan, Reservations Manager, Hotel Jefferson.

Hotel Statler—Conference Headquarters

(Entire hotel is air conditioned)

Single Room	$ 7.00 to $12.00
Double Room	$ 9.00 to $14.00
Twin-bedded Room	$11.50 to $16.00
Parlor Suites (Studio type)	$19.00 to $20.00
Two Bedroom Suites	$32.00 to $45.00

Send reservations to Glenn Klueter, Reservations Manager, Hotel Statler.

Hotel DeSoto

(Most rooms are air conditioned)

Single Room	$ 5.00 to $ 8.00
Double Room	$ 6.50 to $12.00
Twin-bedded Room	$ 8.00 to $15.00
Suites (Parlor and Bedroom)	$15.00 to $28.00

Send reservations to Reservations Department, Hotel DeSoto.

In order that you may be assured of your room in the hotel of your choice, please make your reservation early.

Also, fill in the Conference Registration Blank below and mail it to the National Office today, along with your registration fee. Please indicate whether you will attend the annual breakfast of the Credit Women's Breakfast Clubs of North America, Monday morning, June 18, 1956. All delegates are invited.

There will be a testimonial luncheon honoring the Fiftieth Anniversary of the founding of the Associated Credit Bureaus of America on Monday noon, June 18, 1956. All delegates are also invited to attend this luncheon. Mark the blank accordingly if you will attend this luncheon.

Conference Registration Blank

42nd ANNUAL INTERNATIONAL CONSUMER CREDIT CONFERENCE

St. Louis, Missouri—June 17-21, 1956

Delegate Registration, $15.00 Guest Registration $15.00

Check Type of Membership

☐ ACBofA
☐ CWBC of NA
☐ N.R.C.A.

Name____________________________

Firm____________________________

City and State________________________

Will attend sessions of____________________Group

☐ I will attend CWBC of NA Breakfast, Monday Morning, June 18, 1956, $3.25.

☐ I will attend ACBofA Testimonial Luncheon, Monday Noon, June 18, 1956, $3.50.

Mail Registration Blank with check attached payable to:
CONSUMER CREDIT CONFERENCE COMMITTEE
c/o National Retail Credit Association
375 Jackson Avenue, St. Louis 5, Missouri

Attendance to All Meetings Will Be by Badge Only

Mail This Blank In Today!

Local Association Activities

Charleston, West Virginia

At the annual meeting of the Charleston Retail Credit Association, Charleston, West Virginia, the following officers and directors were elected: President, L. A. Dudding, Galperin Music Company; Vice President, Russel S. Garten, Appalachian Electric Power Company; and Secretary-Treasurer, Lee H. Henkel, Charleston National Bank. Directors: W. R. Pool, Diamond Department Store; Jack P. Lee, Frankenberger and Company; J. L. Knight, Woodrum Home Outfitting Company; A. C. Weaver, Charleston General Hospital; R. W. Fox, Coyle and Richardson Department Store; C. E. Halstead, Esso Standard Oil Company; and Charles E. King, Capital Finance Corporation.

Lincoln, Nebraska

The new officers and directors of the Lincoln Retail Credit Men's Association, Lincoln, Nebraska, are: President, Earl Heironymus, Miller and Paine; Vice President, Donald Boldt, Gold and Company; and Secretary-Treasurer, R. E. Skold, The United Credit Bureau. Directors: A. W. Peterson, Hardy Furniture Company; Merwyn A. Nyquist, Hovland-Swanson; Mrs. M. H. Pollard, Byers Jewelry Company; Leonard Märtin, Walt's Music Store; and E. K. McMahan, Magee's.

Pensacola, Florida

The Associated Retail Credit Managers of Pensacola, Pensacola, Florida, has elected the following officers and directors for the ensuing year: President, Fred Mertens, Ed White, Inc.; Vice President, L. K. LeVasseur, Merritt Supply Company; Recording Secretary, Lorraine O'Ferrell, Escambia Motor Company; Financial Secretary, J. H. Dexter, Nickelson Jewelry Company; and Treasurer, Mrs. Avie Hatton, Bon Marche. Directors: Verla Cates, The Credit Bureau of Pensacola; James Hurt, Brownsville Furniture Company; F. C. Flythe, Pensacola Builders Supply Company; Frank Clegg, Asco Loan Company; Louis L. Aymard, Securities Investment Company; Dudley Pinney, Moulton's Apothecary; and Almon Payne, Sherrill Oil Company.

Toronto, Ontario, Canada

The following have been elected to serve as officers and directors of the Credit Granters' Association of Toronto, Toronto, Canada, for the ensuing year: President, H. L. Hulme, Aluminum Goods, Limited; Immediate Past President and Vice President, L. E. Cutter, Henry Birks and Sons, Limited; Secretary, Carl B. Flemington, Credit Bureau of Greater Toronto; and Treasurer, M. T. McKee, Credit Bureau of Greater Toronto. Directors: L. A. Carmichael, Henry Morgan and Company, Limited; C. S. Davies, The T. Eaton Company, Limited; R. A. Grant, John Northway and Son, Limited; T. M. Gerry, Simpson-Sears, Limited; D. L. Thorne, Heintzman and Company, Limited; W. G. Snell, The Robert Simpson Company, Limited; E. L. Zoeger, Sun Oil Company, Limited; S. Hill, Ostrander's, Limited; J. G. Knighton, Yolles, Limited; Miss N. Buchanan, Credit Bureau of Greater Toronto; and Ruth C. Wilde, Household Finance Corporation.

San Diego, California

At the annual meeting of the Merchants Credit Association, San Diego, Calif., the following officers and directors were elected: President, L. A. Marion, W. P. Fuller & Co.; Vice President, Roy Wiley, City Chevrolet Co.; Treasurer, M. E. Frazier, Security Trust & Savings Bank; and Secretary-General Manager, Fred L. Train. Directors: Dr. Charles B. Armstrong; Jack C. Atkinson, Dorman's; Fred H. Baker, Thearle Music Co.; Dale P. Barnes, Marvin K. Brown Co.; L. P. Hill, J. Jessop & Sons; Alden W. Johnson, First National Trust & Savings Bank; Edwin Johnson, San Diego Federal Savings & Loan Assn.; Fred E. Nisley, National Lumber Co.; Ray W. O'Brien, Bank of America; D. Carl Zaun; Eugene T. Ageno, Walker-Scott Co.; Roy F. Bachman, Union Title Ins. and Trust Co.; Lee Brewer, Arey-Jones Co.; Robert J. Brinson, Jordan Marsh; Ella Collins, H. L. Benbough Co.; Joseph Franken, Montgomery Ward & Co.; E. C. Hedberg, General Motors Acceptance Corp.; William J. Leverty, The Marston Co.; Dennis Lockman, Fenter Material Co.; L. A. Marion, W. P. Fuller & Co.; Howard L. Wellman, Western Lumber Co.; Russell C. Woods, San Diego Trust & Savings Bank.

CREDIT DEPARTMENT *Letters*

LEONARD BERRY

THIS MONTH, and next, the average store will mail more statements of current purchases to more customers than at any other time of the year. Each one will be a business communication of the first importance.

Not only is the statement a communication, it is, for the majority of customers, practically the only communication they ever receive from the store and, for most of them, the statement is the communication most frequently received. Yet, the place of the statement in developing and maintaining good public relations has seldom been emphasized.

Billing the customer offers valuable opportunities for better servicing of the account; and we are, or should be, concerned with everything that will help in binding customers more closely to the store and preventing that costly inactivity of accounts.

It is axiomatic that accuracy in billing is essential. Errors are expensive to adjust and they are exceedingly annoying to customers. Much time and effort are required of the customer to point out the error to the store and to obtain correction. An undue number of such errors might well cause the customer to transfer her patronage elsewhere.

It is also fully established that promptness in getting bills out on schedule has a marked effect on collection results. The longer the time that elapses between the acquisition of an article, or fulfillment of a service, and the presentation of the bill, the less willingness there is to make payment. Physicians, dentists, and hospitals and clinics, are recognizing this important principle and try to bill as near to the "peak of gratitude" as they possibly can. Retailers, too, should allow nothing to interfere with the billing schedule. Accuracy and promptness thus are important in proper servicing of the account. But there is more.

Perhaps the traditional, cold formality of the statement might be softened a little. While no one suggests that bills be made too gay or lighthearted, much could be done to give them "eye-appeal." There is no reason why the color scheme of the store could not be carried out on the billhead. We do that on letterheads. Both are communications, and a basic requisite of good communications is that they should tell *and* sell.

If at all possible, statements should be simplified. Our customers are not usually accountants and, to many, the average store statement is a formidably complicated document. Each store could well scrutinize its own billing procedures and try to make them more palatable to the customer and more conducive to "humanizing" the store or firm. Public utilities have successfully done this—to their great advantage.

Some stores print a neat line of "thanks" at the bottom of the bill. This is a friendly touch and costs nothing. The shock of getting the bill for an amount more than had been expected, which is usually the case, can be mitigated by such a simple device as this.

Most stores put too many enclosures in with bills. These are usually provided by manufacturers and because of that it is thought to be a waste not to use them. Actually, we find that many customers resent this obviously "filler" material. Two, or at the most three, enclosures are enough, and these should be in keeping with the nature of the store and highlight the firm itself, rather than the manufacturer or a specific product.

Occasionally a neat, printed note of thanks for patronage could be included. We can never say "thank you" too much. People trade where they are made welcome and they return to the stores in which their patronage is recognized and appreciated. Billing procedures offer many rewarding opportunities for imagination in improving public relations.

This Month's Illustrations →

Illustration No. 1. Here is one of those letters that "you do not have to write" but which are so very powerful in creating better public relations. Ed Falk, credit manager, Newman's, Joplin, Missouri, tells us that he has received many favorable comments on this letter. All it takes is a little imagination and effort, and lasting friendships are secured.

Illustration No. 2. This collection letter has a refreshing originality. Anything that we can do to take the routine quality out of a personal collection letter is all to the good. Hazel D. Skiles, credit sales manager, The Schradzki Company, Peoria, Illinois, attaches a shiny new penny to the letter to give impact to it.

Illustration No. 3. The "fiscal year" collection approach is a good one, especially in January, the natural time for year-end procedures. No one likes the idea of his past-due account becoming part of the records of the credit bureau. Fred F. Jones, credit manager, Parks-Chambers, Atlanta, Georgia, reports that this letter has been successful when other collection appeals have failed.

Illustration No. 4. All of us do considerable credit sales promotion work designed to get inactive-account customers to resume use of their accounts. However, we do not always grasp the golden opportunity of thanking the customer for such renewed patronage. In this letter, Fred P. Entler, manager of credit sales, Home Furniture Company, Bristol, Virginia, does just that. It is an easy matter to enclose the letter when sending the receipt book. One added advantage, in addition to good-will building, is that the terms of the account are again mentioned to fix them clearly in mind.

Newman's

SIXTH AND MAIN STREETS Joplin, Missouri

Date

1

Mr. John C. Customer
000 Main Street
Joplin, Missouri

Dear Mr. Customer:

In looking through the mail this morning I noticed your check to cover your bill here at Newman's. I want to thank you for this remittance and tell you what a pleasure it is to serve you.

A Credit Manager is accustomed to writing letters but there is a distinct pleasure when, in the days dictation, he can write to customers like yourself.

If you have suggestions that will make our services to you more efficient, please let us know. Your patronage is appreciated, and we do hope shopping here will be so pleasant that you will consider us to be your favorite store.

Cordially yours,

Ed Falk
Credit Manager

PARKS-CHAMBERS

Date

3

Mr. John C. Customer
000 Main Street
Atlanta, Georgia

Dear Mr. Customer:

Will you do me a favor?

On January 31st our books are closed for the Fiscal Year and I must make a report on all accounts in detail to Our Officers and Directors; and all past-due accounts to our Credit Bureau.

Won't you send me your check by return mail or if that is impossible, advise me just when payment may be expected.

Thank you for your valued patronage and best wishes for 1956.

Cordially yours,

Amount Past Due
$25.00

Fred F. Jones, Jr.
Credit Manager

The Schradzki Co.

Date

2

Mr. John C. Customer
000 Main Street
Peoria, Illinois

HERE IS A NEW MAGIC PENNY!

Yes, Mr. Roberts, it is really magic. If you take this penny and double it each day for thirty days, you will have more than five million dollars!

Wouldn't that be wonderful? But then, you don't need that much to bring your account up to date, just pay $60.00

Please tuck your check in the enclosed envelope and mail it today.

Thanks a million!

Sincerely,

Hazel D. Skiles
Credit Sales Manager

Member: National Retail Credit Association — Credit Bureau of Bristol — Bristol Credit Granters Association

Home FURNITURE COMPANY
415-423 STATE STREET
BRISTOL, VIRGINIA

TELEPHONE 1700

Date

Mr. John C. Customer
000 Main Street
Bristol, Virginia

4

Dear Mr. Customer

Because charge customers like yourself have played so very important a part in our progress here at Home Furniture Company, it is a privilege to say, "Welcome Back."

We missed you and it was nice again to have the pleasure of serving you on an instalment basis. We hope you enjoyed your visit and that you will come again, sooner and more often.

As an added convenience, we are enclosing your receipt book and asking that you bring or mail it when you make your payments. According to our records, you have indicated that you want to pay $00.00 a month, with each payment due on or about the tenth.

Thank you for your patronage and this opportunity to serve you again.

Very truly yours,

Fred P. Entler
MANAGER OF CREDIT SALES

"GUARD YOUR CREDIT AS A SACRED TRUST"

comparative COLLECTION PERCENTAGES

October 1955 vs. October 1954

N.R.C.A. DISTRICT and CITIES		DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
		1955			1954			1955			1954			1955			1954			1955			1954		
		AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
	Boston, Mass.*	45.4	58.1	38.0	44.8	58.5	35.0	16.2	29.6	7.7	16.1	29.8	9.2	—	—	—	—	—	—	—	—	—	—	—	—
	Portland, Me.	—	—	—	54.5	55.3	53.7	—	—	—	14.8	16.0	13.6	—	—	—	—	—	—	—	—	—	—	—	—
1	Providence, R. I.	44.4	51.2	41.7	48.8	50.1	48.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Springfield, Mass.	52.2	57.4	57.1	63.0	64.8	61.3	22.4	24.9	20.0	24.8	32.7	17.0	—	56.1	—	—	61.9	—	—	43.7	—	—	52.0	—
	Worcester, Mass.	49.3	49.5	49.1	44.7	49.2	40.2	20.9	21.2	20.7	25.9	29.5	22.3	53.1	55.2	51.0	55.5	61.0	50.0	—	—	—	—	—	—
2	New York, N. Y.	45.6	55.3	39.9	45.0	57.0	32.6	14.4	21.4	10.3	14.8	21.5	11.1	45.0	47.7	40.5	45.6	48.0	42.4	51.0	51.4	51.6	48.4	48.5	48.3
3	Birmingham, Ala.	—	—	—	41.3	49.2	36.5	—	—	—	15.6	18.0	13.1	—	—	—	44.5	49.4	39.2	—	—	—	47.0	48.9	45.1
	New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Cincinnati, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
	Cleveland, Ohio	51.9	62.4	44.7	50.1	58.1	43.0	17.3	23.3	11.2	19.5	27.4	12.4	44.7	53.6	39.3	45.6	59.4	33.0	73.3	95.5	51.2	73.5	102.0	45.1
	Louisville, Ky.	55.0	55.6	54.4	55.1	57.4	52.9	18.1	19.3	16.5	18.4	21.5	14.8	42.3	43.0	41.6	45.2	46.6	43.8	41.5	44.9	38.2	43.4	43.8	43.0
5	Milwaukee, Wis.	60.4	60.7	52.0	60.6	64.2	53.1	15.5	17.0	15.0	14.9	16.8	14.0	—	48.7	—	—	52.6	—	52.8	68.2	51.0	57.7	66.2	56.6
	Toledo, Ohio	—	—	—	49.6	51.5	49.5	—	—	—	16.9	22.0	13.3	—	—	—	61.1	66.3	55.0	—	—	—	—	44.0	—
	Youngstown, Ohio*	—	37.8	—	—	37.0	—	—	14.3	—	—	13.4	—	—	—	—	—	—	—	—	—	—	—	—	—
	Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Minneapolis, Minn.	59.1°	66.2	53.5	55.7	64.6°	49.0°	14.8	15.2	14.5	14.4	17.6	11.7	48.7°	56.7°	40.7°	—	41.6	—	48.4	51.5°	43.3°	51.1	56.8°	42.7°
7	Kansas City, Mo.	56.5	61.0	41.6	52.1	60.0	51.9	14.4	18.6	6.3	14.2	16.0	6.5	57.9	63.2	58.3	59.2	62.9	52.3	—	—	—	—	—	—
	St. Louis, Mo.	56.2	57.0	54.9	55.9	57.7	54.3	19.9	22.1	17.3	20.1	21.3	18.5	45.8	57.2	38.1	49.2	56.4	43.0	46.9	48.7	45.8	49.1	53.0	46.2
	Dallas, Texas	—	61.3	—	52.3	58.9	45.8	—	9.8	—	13.0	15.8	10.2	—	55.4	—	—	49.9	—	—	—	—	—	—	—
8	Ft. Worth, Texas	51.2	54.7	50.1	55.2	56.3	51.5	12.9	16.9	12.4	12.6	19.1	11.6	54.2	48.0	54.1	55.0	59.7	46.8	—	—	—	—	—	—
	Houston, Texas	—	—	—	50.2	54.2	46.3	—	—	—	—	15.4	—	—	—	—	46.8	48.2	45.5	—	—	—	—	53.0	—
9	Denver, Colo.	49.5	55.1	47.5	50.0	54.0	47.8	18.5	30.8	16.0	16.6	26.8	15.1	51.7	55.1	48.4	51.2	51.9	50.5	51.7	55.1	48.4	51.2	51.9	50.5
	Salt Lake City, Utah	56.7	63.0	53.7	60.2	62.4	57.8	18.9	22.0	16.2	19.7	24.4	16.6	—	—	—	—	—	—	47.6	51.7	43.5	49.5	50.1	49.0
10	Spokane, Wash.	—	61.6	—	56.7	58.1	55.4	—	15.8	—	25.3	34.6	16.0	—	60.2	—	—	65.1	—	—	—	—	—	—	—
	Los Angeles, Calif.	56.0	60.8	51.7	57.8	59.7	49.3	—	—	—	—	—	—	—	—	—	—	—	—	51.8	65.5	46.1	52.2	67.1	46.7
	Oakland, Calif.	62.3	64.9	56.7	57.3	65.5	54.0	16.5	20.4	13.8	16.3	16.6	15.3	60.6	65.2	56.0	57.6	58.5	56.7	—	47.6	—	—	51.5	—
11	Santa Barbara, Calif.	—	—	—	64.1	69.5	59.2	—	—	—	—	—	—	—	—	—	53.5	59.6	47.8	—	—	—	63.4	73.0	49.4
	San Francisco, Calif.	53.1	68.2	52.1	56.1	68.4	49.1	15.9	19.5	14.7	15.9	17.4	13.1	48.2	50.2	44.3	48.9	51.8	43.6	45.6	49.8	43.4	46.0	51.6	45.5
	San Jose, Calif.	55.6	64.1	53.8	57.0	62.7	52.4	18.1	20.5	15.6	15.3	19.7	15.2	—	55.6	—	57.5	62.7	52.4	—	—	—	—	—	—
	Baltimore, Md.	46.8	53.6	30.9	44.7	55.1	33.7	17.8	20.2	12.8	16.7	17.2	13.9	39.4	47.9	36.7	40.7	48.9	33.3	44.1	52.1	36.1	35.6	55.1	36.2
12	Philadelphia, Pa.	—	—	—	39.9	42.5	37.6	—	—	—	10.3	11.6	9.5	—	—	—	43.5	49.1	31.5	—	—	—	—	—	—
	Washington, D. C.	45.4	52.9	41.8	45.8	52.6	43.2	15.2	16.9	12.6	16.1	21.2	13.0	—	—	—	—	—	—	—	—	—	—	—	— 12-55 AHM

• Figures for September. °Includes 30—60—90-day accounts.

Consumer Credit for September

CONSUMER INSTALMENT credit outstanding amounted to an estimated 26,699 million dollars at the end of September, 544 million above the preceding month end. In the same month of 1954 and 1953, respectively, increases of 34 and 171 million occurred. Automobile paper was again primarily responsible for the increase in total instalment credit outstanding. Small increases occurred in each of the other instalment components. Instalment credit extended during September, estimated at 3,241 million dollars, was 195 million below the preceding month's volume. This decrease was less than usual for this time of year. Repayments also decreased slightly from August to September. Total short- and intermediate-term consumer credit outstanding amounted to an estimated 34,293 million dollars at the end of September, 657 million above a month ago and 5,437 million above a year ago.—Federal Reserve Board.

Department Store Credit for September

INSTALMENT ACCOUNTS outstanding at department stores increased further during September. Balances at the end of the month were 2 per cent above a month earlier, and continued about 18 per cent above a year ago. The instalment collection ratio, estimated at 15 per cent, was 1 point above the preceding month and 2 points above a year ago. Charge accounts outstanding increased seasonally during September, bringing month-end balances 9 per cent above August. Compared with a year ago, charge accounts were up 7 per cent. Collections during the month amounted to an estimated 45 per cent of first-of-month receivables, 1 point below both a month ago and a year ago. Sales of all types showed increases from August to September, as is usual for this time of year. Each type also continued above a year ago. Cash sales were up 5 per cent over September of last year, while charge-account and instalment sales were up 5 and 16 per cent, respectively.—Federal Reserve Board.

Items of Interest From the Nation's Capital

JOHN F. CLAGETT, Counsel, National Retail Credit Association, Washington, D.C.

Standardization: Do Antitrust Overtones Stand in the Way of Billions of Dollars in Annual Savings by Government Purchasing Agencies Alone? As presiding officer at a session of the Sixth Annual Conference on Standards recently held in Washington, Lowell Mason, one of the Commissioners of the FTC, made some interesting and pertinent statements as far as the businessman and the seller of merchandise are concerned. "Trade associations and technical societies", Mr. Mason stated, "play the major role in making standards". Standards are vitally important to the General Services Administration, since it is "the greatest customer in the world". Mr. Mason went on to say that before 1934 there had been no problem and that "the Supreme Court, the Federal Trade Commission and the Department of Justice looked calmly, dispassionately and even favorably on national standards".

"This general good feeling about standards throughout officialdom", Mr. Mason added, "was no doubt stimulated by the aggressive campaign of Herbert Hoover during his seven years as Secretary of Commerce. The National Bureau of Economics estimated that *standardization and simplification in this period eliminated more than five billion dollars in waste.* Before the 'long presidency', this was a good deal of money." (Italics supplied).

But Mr. Mason noted that "Shortly thereafter came a change in the Government's attitude toward standards work . . . with the government pulling two ways at once. The Department of Commerce, the military, the Federal Supply Service and other purchasing agencies of Government continued to ask for more standardization. The Federal Trade Commission and the Department of Justice, on the other hand, developed a concept called 'conscious parallelism', in which an inference of price-fixing conspiracy arose when private citizens cooperated with each other, and even when they cooperated with federal agencies, to establish national standards."

Mr. Mason then cited an instance of attempted standardization where "a medical project was outlined for conducting research on objects implanted by surgery in the human body—braces, pins, plates, and so forth. There was need for additional knowledge on how such objects acted within the body. On completion of the research, the doctors intended to sit down with the manufacturers and others who were interested and to draft a set of standards. The project was dropped and has never been taken up again. It was dropped on legal advice, simply because of fear of a possible antitrust action following such a medical and industry-wide conference. Who has suffered most from that surrender to the fear of antitrust action?"

Mr. Mason then went on to observe that although efforts had been made to secure greater standardization through cooperation of Justice, Commerce and the Federal Trade Commission, nothing had been accomplished although "Commerce tried mightily then and is still trying mightily today". (See CREDIT WORLD, March, 1955, page 28).

Senator Byrd Calls on American Institute of Accountants to Help Remedy Conditions in Federal Housing Administration—In a recent address before a meeting of The American Institute of Accountants, held at Washington, D. C., Senator Byrd (D. Va.) referred to certain amendments to the Housing Act by which he had "tried to clean up legislation under which scandalous housing activities were allowed to develop". Two of these adopted in the 1954 Housing Act he identified as follows: "Section 227 requiring the Federal Housing Administration to obtain cost certification on multifamily housing projects prior to final endorsement by FHA of a mortgage, for the purpose of precluding windfall profits". "Section 814 requiring mortgagors to certify that they will keep records as prescribed by the Federal Housing Commissioner and authorizing the government to examine such records".

Senator Byrd then adverted to recent correspondence he had had with the General Accounting Office as to whether FHA was complying with these new amendments, and was advised that FHA " 'has been unable to initiate any audit work of this type because of a shortage of personnel and because of the increased volume of other audit work particularly audits of Section 608 mortgagor corporations.' This statement is certainly subject to the interpretation . . . that the agency, nine months after the law was enacted, has not concluded as to how, or when, or whether it will conform". Senator Byrd then quoted with approval the suggestion by the General Accounting Office that, "As an alternative solution to this problem, we suggest that the auditing of mortgagor cost certification be done by independent Certified Public Accountants who are approved by FHA".

Senator Byrd concluded his remarks by saying: "As I have said before, I repeat to you; the laws under which these federal housing programs operate are loosely drawn; they have been shamefully administered; they have been scandalously exploited as a free-wheeling vehicle of public risk for private profit. Under these circumstances, the responsibility of those in the accounting profession who work with them goes not only to individuals who take the private profit, but also to the taxpayers upon whom the risk is thrust." ★★★

Have You Entered for the Scott Award?

$500.00 Might Be Yours!

FULL PARTICULARS concerning the Scott Award have been set forth in previous issues of The CREDIT WORLD on pages 13, August, 1955 issue, 31 of the October issue and 19 of the November issue. However, we want to remove any possible chance of misunderstanding as to who is eligible and how the entries are to be handled, hence this repetition.

Mr. Scott, in making the announcement of the Award, stated specifically that entries were to be invited from any person engaged in retail credit work and whose name appears on the records at the National Office as being the representative of his or her firm. Entries are to be sent to the president of the N.R.C.A. District in which the contestant lives, not later than 30 days before the opening of the District Conference. Entries will be judged primarily on the merits of the contestant's contribution to the over-all retail credit management field. Evidence of activity in local retail credit associations, district and national retail credit conferences, participation in local civic enterprises and other areas will be considered in making the selection.

Each N.R.C.A. District Board of Directors will make one selection from entries submitted to them for entrance in the final judging. Such district nominations must be sent to the National Office not later than June 1, 1956.

A National Committee, named by N.R.C.A. President Kaa F. Blue, will select from the District nominations the final winner who will be awarded the prize at one of the sessions of the International Consumer Credit Conference at St. Louis in June, 1956.

It is fitting here to express the thanks of the entire retail credit fraternity to George A. Scott, president, Walker-Scott Company, San Diego, California, for his outstanding generosity in making this Award possible. This contest should reveal the talent and originality possessed by many retail credit personnel. It should also stimulate creative thinking and result in much helpful material concerning all phases of retail credit administration coming to national attention.

We remind members that this Award is just the first of ten similar ones. Each year for ten years, $500.00 in cash will be won by someone. Even though you do not enter the contest this year, or your entry does not win, keep in mind the fact that you have nine more opportunities!

Here we list the members of the Scott Award Committees named by several N.R.C.A. District presidents:

District No. 2. Fred C. Adams, Public Service Electric & Gas Co., Burlington, New Jersey; Arthur K. Carmel, Industrial Bank of Schenectady, Schenectady, New York; Edward M. Gallagher, Lit Brothers, Trenton, New Jersey; Earle A. Nirmaier, Wilderotter's Department Store, Newark, New Jersey; Joseph S. Struck, Flah & Company, Inc., Syracuse, New York.

District No. 8. L. E. Blowers, Household Furniture Co., San Antonio, Texas; Carl E. Bock, Calcasieu Lumber Co., Austin, Texas; Aaron Littmann, Gem Jewelry Co., Beaumont, Texas; W. O. Perlick, Texas Bank and Trust Co., Dallas, Texas; R. R. Thomas, Shamrock Gas and Oil Co., Amarillo, Texas.

District No. 9. R. Lyle Fosler, Colorado Springs Medical Center, Colorado Springs, Colorado; John W. Lee, Husky Oil Co., Cody, Wyoming; Arthur Ridd, Continental National Bank and Trust Co., Salt Lake City, Utah; Miss Margaret Scouler, Hopper Furs, Denver, Colorado; John A. Ward, Lovelace Clinic, Albuquerque, New Mexico.

District No. 10. Herb Barnes, Nyles N. Galer, Vancouver, B. C., Canada; Carl A. Kilgas, General Petroleum Corporation, Portland, Oregon; Leonard S. Medlock, Scofield's, Tacoma, Washington; Arnold Moffatt, Credit Bureau of Latah County, Moscow, Idaho; Vernon E. Rasmussen, Evergreen Cemetery, Seattle, Washington.

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District Presidents who have not yet sent in names of their Committees are urged to do so immediately for publication in the January, 1956, issue.

This Is a Truly Golden Opportunity!

L. S. Crowder

General Manager-Treasurer
NATIONAL RETAIL CREDIT ASSOCIATION

What's New in Books

Credits and Collections in Theory and Practice (McGraw-Hill Book Company, order from National Retail Credit Association, 375 Jackson Avenue, St. Louis 5, Missouri, 612 pages, $6.50). This book, by T. N. Beckman and Robert Bartels, both professors of Business Organization, The Ohio State University, gives a complete and thorough explanation of the credit and collection manager's job and the methods of credit administration and control that are proving effective throughout the business world today. It emphasizes mercantile and retail credits and collections, and offers numerous practical suggestions making for efficiency in the performance of a manager's duties. It is packed with successful plans and methods for improvement in the handling of the most intricate credit problems that come up in the daily routine. This careful, practical discussion of the entire credit system will yield hundreds of new ideas, plans, and methods to credit executives, collection managers, and correspondents, and collection and credit agencies. Sixth edition is fully revised, and contains a wealth of valuable, up-to-date material.

Financing Retail Credit Sales Through Charge Account Bank Plans (Bureau of Business Management, University of Illinois, Urbana, Illinois, 60 pages, price $1.00). This is the story of charge-account banking, the technique by which banking institutions serve as credit, accounting, bookkeeping, and collection office for participating retail merchants and service organizations. It is an exhaustive study of this new development in retail credit procedures by Robert H. Cole, assistant professor of Marketing, University of Illinois. A timely and impartial picture of the status and future possibilities of charge-account banking is presented. Because of the wide interest in this retail credit innovation, credit executives will find this booklet indispensable to their greater understanding.

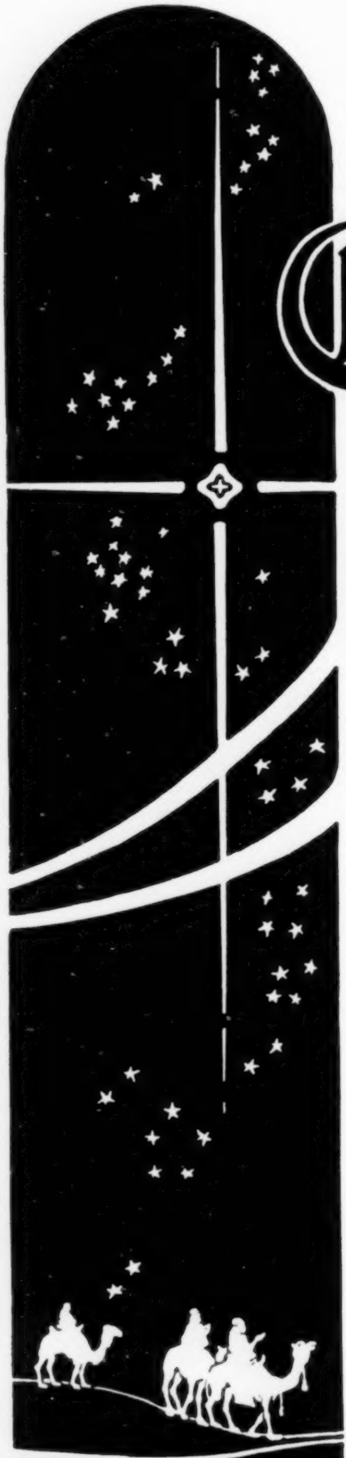
How to Run a Small Business (McGraw-Hill Book Company, 330 West 42nd Street, New York 36, New York, 332 pages, $4.95). Covering new tax law aspects of importance to businessmen, this guide for owners and managers of small businesses has now been brought up to date in a new second edition. This book, by J. K. Lasser, has been revised by Sydney Prerau, director, J. K. Lasser Tax Institute. The results of Mr. Lasser's long consulting practice are represented here. His observations, both of the effective practices of successful businesses and the warnings to be found in the failure of others, contribute to this manual of practical guidance. The book deals with the major areas of business ownership, financing, records and controls, operation, and many details within these areas. The essentials of keeping a business in profitable condition, and making it grow, were the guiding factors in the choice and treatment of subject matter.

Financial and Administrative Accounting (McGraw-Hill Book Company, 330 West 42nd Street, New York 36, New York, 503 pages, $7.00). Planned, organized, and written for the individual who will be confronted with economic problems requiring a fairly comprehensive understanding of the theories underlying accounting and the accepted methods of applying these theories to everyday business situations; this book will give the reader more than a perfunctory knowledge of accounting. It is the only book available written expressly for the user of accounting data rather than the producer. The authors are C. Aubrey Smith, professor of Accounting, The University of Texas, and Jim G. Ashburne, associate professor of Accounting, The University of Texas.

Forgery and Fictitious Checks (Charles C Thomas Publishing Company, Springfield, Illinois, 112 pages, $4.75). The author of this interesting and helpful book, Julius L. Sternitzky, has drawn on his experience of 30 years as inspector in charge of the Forgery and Check Detail of the Oakland, California, Police Department. Specific instructions are given for those whose duties include the cashing of checks. It describes the methods of forgers and their characteristics. The duties of law-enforcement officers are set forth in detail. One of the valuable contributions of the book is the inclusion of various forged and fictitious exhibits with complete explanations which will enable even an inexperienced person to recognize the methods used by forgers today. Just the detection of one bad check will pay for the book several times over.

Writing for Business (Richard R. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois, 420 pages, $3.95). This is a revised and enlarged edition of the highly successful book that was published in 1951 by the same name and authors. It contains the most advanced thinking on the subject of the theory and practice of letter writing. The authors have collected more than 60 idea-packed articles written by men who know letter writing best and who have been successful in producing letters that *sell* while they collect, win friends while making difficult adjustments and, in general, add to the good public relations of any store and firm. Anyone who is interested in improving letter-writing effectiveness should own a copy of this book. The modest investment in its purchase will be repaid a thousand-fold in the sharpening of techniques and creation of sparkling and friendship-winning business letters.

Reading this publication carefully and regularly will contribute to your success as a Credit Executive.



Christmas Greetings

A Merry Christmas to You!

WHEN WE are guided by the high aims and purposes of our organization, and thus

> *"encourage the broadest use of Consumer Credit consistent with sound business principles and the welfare of the community"*

we exemplify the true spirit of Christmas by conscientious service and benefit to our neighbors, and fulfill the Golden Rule.

May your Christmas be joyous, and may the New Year bring you every happiness, satisfaction, and peace.

President
National Retail Credit Association

The Last Word in Textbooks on Retail Credit!

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Written expressly for the new Educational Course of the National Retail Credit Association by Dr. Clyde William Phelps, Professor of Economics of the University of Southern California.

Retail Credit Management, the latest book written by Dr. Phelps, recognized authority on retail credit, fills a definite need for an up-to-date treatment of the several aspects of credit department operation and management. Designed as the official textbook for use in the many Credit Schools throughout the country, it represents years of study and research. Every Manager of Credit Sales will want to have it on his bookshelf for ready reference. Assistants, preparing themselves for higher positions, can count on this book giving invaluable aid in acquiring the broad knowledge necessary to promotion. Because of its complete coverage, the book is important to everyone interested in retail credit. Stores, both large and small, doing a credit business will find it useful to a marked degree. Study of the ideas and suggestions contained in this book can be helpful in improvement of credit department operations and, at the same time, effect greater economies.

TABLE OF CONTENTS

(The book contains fourteen chapters; four hundred and ninety-six pages; many charts and illustrations; bound in impregnated waterproof blue cloth.)

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